



THE UNIVERSITY *of* EDINBURGH

Edinburgh Research Explorer

Working paper 3: The Fairest of Them All?

Citation for published version:

Blackburn, L 2014 'Working paper 3: The Fairest of Them All? The Support for Scottish Students in Full-time Higher Education in 2014-15' pp. 1-66.

<http://www.docs.hss.ed.ac.uk/education/creid/Projects/34ii_d_ESRCF_WP3.pdf>

Link:

[Link to publication record in Edinburgh Research Explorer](#)

Document Version:

Peer reviewed version

Publisher Rights Statement:

© Hunter Blackburn, L. (2014). Working paper 3: The Fairest of Them All?: The Support for Scottish Students in Full-time Higher Education in 2014-15. (pp. 1-66).

General rights

Copyright for the publications made accessible via the Edinburgh Research Explorer is retained by the author(s) and / or other copyright owners and it is a condition of accessing these publications that users recognise and abide by the legal requirements associated with these rights.

Take down policy

The University of Edinburgh has made every reasonable effort to ensure that Edinburgh Research Explorer content complies with UK legislation. If you believe that the public display of this file breaches copyright please contact openaccess@ed.ac.uk providing details, and we will remove access to the work immediately and investigate your claim.



THE FAIREST OF THEM ALL?

THE SUPPORT FOR SCOTTISH STUDENTS IN FULL-TIME HIGHER EDUCATION IN 2014-15

Prepared for the Centre for Research in Education Inclusion and
Diversity, University of Edinburgh

Lucy Hunter Blackburn

February 2014

Introductory Note

This paper was commissioned to stimulate and inform discussion. For the avoidance of any doubt, the views expressed in it are entirely those of the author and not the Centre for Research in Education Inclusion and Diversity.

Table of Contents

List of Figures	ii
List of Tables	ii
SUMMARY	1
SECTION 1: MAIN FINDINGS.....	2
SECTION 2: INTRODUCTION	6
SECTION 3: STUDENT SUPPORT ACROSS THE UK IN 2014-15	10
A. THE PATTERN OF CHANGE.....	10
B. DETAILED COMPARISON OF UK SYSTEMS IN 2014-15.....	10
a. Spending power.....	12
b. Final debt	20
SECTION 4: CHANGE OVER TIME IN SCOTLAND	32
A: CUMULATIVE EFFECT OF CHANGES BETWEEN 2012-13 AND 2014-15.....	32
a. The relative role of grant reductions and increased spending power	32
b. Conversion of theoretical loan entitlements into actual debt	36
B: CHANGE IN THE USE OF STUDENT LOANS OVER THE LONG TERM	39
a. Actual and projected borrowing 2003-04 to 2015-16.....	39
b. Policy drivers for increased debt in the decade to 2015-16	40
c. The net redistributive effect of graduate endowment abolition and grant reductions	43
d. Perception and presentation	48
e. The rocks versus the sun: the distributional effect of prioritising fees over grants ..	54
CONCLUSION.....	57
Annex A	59
Annex B.....	61

List of Figures

Figure 1:	State-supported spending power (grant plus loan) in each UK jurisdiction 2014-15	15
Figure 2:	Spending Power (grant plus loan) in each UK jurisdiction	16
Figure 3:	Main grant rates: 2014-15	17
Figure 4:	Living cost loan: 2014-15	19
Figure 5:	2014-15 spending power by component	20
Figure 6:	Annual debt 2014-15: raw debt	25
Figure 7:	Annual total debt 2014-15: equalised for spending.....	26
Figure 8:	Degree-debt 2014-15: raw debt.....	27
Figure 9:	Degree-length debt: equalised for spend.....	29
Figure 10:	31
Figure 11:	33
Figure 12:	34
Figure 13:	Real terms change in expected annual debt between 2012-13 and 2014-15: young students in Scotland.....	34
Figure 14:	Real terms change in expected annual debt between 2012-13 and 2014-15: mature students in Scotland.....	35
Figure 15:	Loan take-up in Scotland by income, 2012-13	37
Figure 16:	% Share student loan debt taken out vs total Scottish-domiciled students, as recorded by SAAS 2012-13	37
Figure 17:	Student loans in Scotland: 2013-14 prices	40
Figure 18:	Non-repayable support from SAAS (£m): 2012-13	43
Figure 19:	Net gainers/losers 2006-07 to 2014-15: GE exempt group: HNC/D, mature, disabled, lone parents.....	45
Figure 20:	Net gainers/losers 2006-07 to 2014-15: GE liable group: young, degree.....	46
Figure 21:	Average annual borrowing from the SLC by Scottish-domiciled students by recorded household income 2009-10 to 2012-13 (cash figures)	51
Figure 22:	Change in SAAS spending on support by type and income: 2009-10 to 2012-13 (constant prices)	55
Figure 23:	Total value of higher-value institutional schemes over 3 years:	60

List of Tables

Table 1:	Estimated impact on annual lending.....	41
Table 2:	Changes affecting student support from government in 2014-15	61
Table 3:	The structure of UK student support systems for 2014-15.....	62

SUMMARY

- This report updates *The Rocks vs The Sun*, which examined the effect of significant changes to student support in Scotland introduced in 2013-14¹ and considered (a) year-on-year changes in Scotland between 2012-13 and 2013-14 and (b) how the arrangements in Scotland compared with those elsewhere in the UK, reflecting the weight placed on such comparisons by the Scottish Government in presenting the changes.
- Updating earlier comparisons confirms that no one system can be claimed as best in the UK, other than subjectively and on the basis of partial comparisons.
- For low- to middle-income students who live away from home, who are likely to need the greatest help, the total value of living cost support provided to Scottish students is unexceptional in UK terms and sometimes relatively poor. Scotland does however provide relatively high support for high-income students and most of those who live at home.
- Even in absence of tuition fees, levels of final debt for low-income Scottish students who study in Scotland are comparable with and in certain cases higher than debt levels for similar students from the other devolved administrations.
- Only students from relatively high income homes enjoy consistent superior benefits from the Scottish system, but only as long as they study in Scotland.
- From 2013-14, there have been significant reductions in grant and a considerable increase in the use of student loans to support living costs in Scotland, following several years in which the total amount of student loan was already rising.
- Scotland is unique in having a system which assigns the highest student debt to those from the lowest income homes, due to its much lower use of student grant.
- For young students in full-time higher education in Scotland, the net effect of policy decisions over the decade to 2015-16 will be a resource transfer from low-income to high-income households. More generally, the prioritisation of fees over living costs for cash support has been to the relative detriment of lower-income students.
- In absolute terms, over time and relative to other parts of the UK the Scottish system for financing full-time students in higher education does not have the egalitarian, progressive effects commonly claimed for it.

¹ Published in May 2013, at <http://adventuresinevidence.com/student-funding-in-scotland-full-analysis/>

SECTION 1: MAIN FINDINGS

- I. A variety of marginal changes will apply to student support systems across the UK in 2014-15, but the overall picture is one of continuity, with no major changes announced for that year in any jurisdiction.
- II. As before, no UK jurisdiction will require any student to provide their own funding upfront for their tuition costs: these will continue to be underwritten in full through a loan or grant for fees, government subsidy, or some combination of these.
- III. UK student support systems should therefore be compared on the two principal *outputs* for students which are driven by government policy decisions and where results will vary, which are (i) total upfront spending power (ie living cost support through grant and loan) and (ii) total final debt.

Spending power comparisons

- IV. For the largest group of students, those studying away from home, the highest spending power is generally provided by the English and Welsh systems, although at incomes above £54,000, Scotland will offer the most support.
- V. For those up to £17,000 and a separate group just below £34,000, Scotland will offer the second highest level of support for spending. For most of the rest it will rank third out of four in the UK. For those between £34,000 and £44,000 Scottish living cost support will be the lowest in the UK, being up to 25% below the highest equivalent figures, which are found in England.
- VI. Scotland will continue to be unique in offering the same support to those living at home and living away. Most students living at home will therefore have access to higher living cost support than comparable students from elsewhere in the UK.

Final debt comparisons

- VII. For final debt, the comparisons show that the clearest distinction is not between the Scottish system and all others in the UK but between:
 - systems which are either low-fee/high grant or no fee/low grant (ie all devolved systems for students studying in-country; the system for Welsh students anywhere in the UK) and
 - systems in which students are required to bear fee liabilities at a higher rate (i.e. all English; Scottish and Northern Irish cross-border).
- VIII. For Welsh and Northern Irish students, at lower incomes higher grant reduces living cost debt, substantially off-setting borrowing for fees, which are already set at a lower level than in England.

- IX. Provided they study in Scotland, levels of final debt for Scottish students from low-income homes will be similar to, and sometimes higher than, those for low-income students from Wales and Northern Ireland.
- X. If they study elsewhere in the UK, low-income Scottish students will face higher levels of debt than any of their counterparts from other jurisdictions.
- XI. The Scottish system will have a number of unique features:
 - the highest debt will be expected for students at the lowest incomes;
 - there will be large step changes in levels of support at certain incomes, rather than tapered allowances; and
 - higher debt will be expected for the group described as “independent” students, who only in Scotland receive lower amounts of grant. These are mainly mature students and that more familiar term is used as short-hand in this paper, for all those students not deemed to be dependent on their parents.

Overall comparisons

- XII. The UK as a whole will continue to present a very mixed picture, with the systems for all four jurisdictions displaying considerable overlap with one another at various points, in terms of their effect on student spending power and final debt. This updated analysis confirms that comparing whole systems in general terms is of limited value, because family income, place of study and whether a student is young or mature, has such a strong bearing on which regime is best in any particular case.
- XIII. The group for whom it most clearly is true that there is a “best package in the UK” is students who come from families with high incomes (above £54,000 if living away or £41,000 if living at home), provided they study in Scotland. These are always significantly better off in the Scottish system, both for spending power and total final debt, whether they are young or mature. Their final debt for a degree is the lowest of any group of students at any income anywhere in the UK.

Change in Scotland between 2012-13 and 2014-15

- XIV. The changes in 2014-15 consolidate a shift away from grant and towards greater use of loan, and a reliance on increased loan to close the gap with England and Wales in spending levels.
- XV. In 2014-15, low-income mature students will be expected to borrow £27,000 over four years: for young students, the figure will be £23,000. This represents between £4,500 and £8,000 more in real terms over four years, compared to the system in place in 2012-13.
- XVI. Although absolute borrowing levels are expected to be highest at the lowest incomes, the largest increase in expected borrowing will be at the highest incomes, where the increase expected will be more than £14,000 over 4 years. This is due to a substantially increased minimum loan entitlement. Students from higher-income homes may choose to use this either in place of or as well as the previous expected level of family contribution.
- XVII. The system prior to 2013-14 assumed an even larger difference in borrowing between students at different incomes. If higher-income students are willing to assume around ten

times as much debt in future as they have in practice taken out until now, then Scotland's regressive pattern of student debt will continue but with less sharp differences.

- XVIII. However, figures from 2012-13 also show that many high income students chose not to use their existing, lower loan entitlement. The actual distribution of debt in Scotland has potential to become more regressive, if those most dependent on state support take out their new full package of support, but borrowing habits at higher incomes remain much as now.

Debt in Scotland in longer-term perspective

- XIX. Student debt fell in the five years up to 2008-09, before starting to rise, with an especially large rise budgeted for 2013-14.
- XX. The main driver of the increase is a growing reliance on loans to provide support for living costs – where need is exhibited disproportionately by lower-income students – in contrast to the ring-fencing of cash resources for fees, on which spending is weighted more towards those at higher incomes.
- XXI. Over the decade to 2015-16 (the final year of the current budget) for young low-income students, a substantial real-terms reduction in the value of grants, particularly from 2013-14, will have more than off-set any benefit from the abolition of the graduate endowment in 2007.
- XXII. As a result of the abolition of the graduate endowment and grant changes, between 2006-07 and 2014-15 the net effect of student support policy was a resource transfer with a likely value of around £20m a year:
- from low-income young students, including those on HN-equivalent courses
 - to higher-income young students studying for a degree, particularly those from households with incomes above £37,000; to a lesser extent, to mature students without children; and possibly also to mature students with children, if the value of separate childcare funding has been maintained over the period.

How student support is discussed in Scotland

- XXIII. Relative to its currency in public debate, student finance may be one of the least well-understood and most mis-described areas of government policy in Scotland. Whether in absolute terms, over time or relative to the rest of the UK it does not have the egalitarian, progressive effects commonly claimed for it.
- XXIV. It remains to be seen whether calculations such as the ones below have a place in shaping perceptions of policy in Scotland. They have to date carried little weight against a widely promulgated and sometimes emotive government rhetoric, echoed by many outside government and often quoted without challenge in the UK and Scottish media. The difference in fee policy with England often seems to be all that matters.
- XXV. Even leaving aside any debate about how investment should be decided *between* higher education and other activities, in recent years the better-off have been the unarguable but

unacknowledged beneficiaries of the way student support policy has been debated, described and formulated in Scotland. Whether that continues to be the case will be a test of the ability of all those engaged with policy formation and debate in Scotland to take on board information which contradicts commonly-held beliefs and of the readiness of the political system in Scotland to tackle entrenched advantage.

SECTION 2: INTRODUCTION

THINKING ABOUT STUDENT SUPPORT SYSTEMS

Two factors have an immediate practical effect on students while they study:

- (a) how much cash they need to find upfront from their (or their families') own resources to finance living costs and fees, and
- (b) their total spending power.

After graduation, what will have a practical financial impact are:

- (c) their total final debt, and
- (d) the actual impact of this debt on their take-home pay, both in the short-term and over their working lives.

These four things are, in effect, the *outputs*, or net effects, of the student funding system and the measures on which comparisons of financial impacts are most meaningfully made. The individual components of the student finance system - fee levels, fee support, grants and living cost loans - are, by contrast, simply *inputs* into the system. Looking at any one of these in isolation cannot provide clear information about actual consequences for students.

(a) The need to find cash upfront

In 2014-15, as in 2013-14, **no jurisdiction in the UK will require students to provide their own upfront finance for fee costs.**

All UK full-time, first-time students in higher education, under whatever fee regime, have their tuition costs met for them up-front and in full by the state, through provision of a loan, a grant or a mixture of the two. It is worth emphasising this point, as in Scotland fee regimes in other jurisdictions are routinely misrepresented as discriminating against poorer students on the grounds that they introduce the consideration of "ability to pay". This is not the case and failure to acknowledge the true position has poorly served public understanding of the issues at stake. Fees are an input into graduate debt, not an immediate call on family wealth.

However, in every jurisdiction all but the poorest students are expected to self-finance part of their living costs. Indeed, student representatives have argued that even the maximum available support packages are less than the real costs faced by students and that all students need to top up their support. **The extent to which government support closes the gap with the actual cost of living at various incomes is therefore the only true "ability to pay" issue in the UK and is common to all parts of it.**

There is huge variation in what students require to live on, depending on individual circumstances and their place of study, so it is not possible to calculate a single figure, or scale of figures, for the total cost of living, and therefore the gap between that and available support, for students from each part of the UK. Broadly speaking, however, the higher the value of total government living cost support, the less upfront funding from private sources students will require. **How well each system in the UK performs in supporting spending power, particularly for those at lower incomes, is therefore the best available test of how far "ability to pay" is a factor.**

(b) Total spending power

The analysis below compares how much the state will give students to live on – referred to here as spending power - in different parts of the UK, based on the total value of loans and grants provided by the government at different incomes. It excludes the effect of localised bursaries, which make a particularly significant contribution to the system in England and which are discussed in [Annex A](#).

Core government support is only part of the financial picture for students, particularly any with exceptional needs, such as those with children or adult dependents, or who have certain disabilities. For simplicity, however, this analysis concentrates on the core elements of national student support. How far each system provides additional support to specific sub-categories of student is not considered here.

Systems in all parts of the UK assume that as household income rises, students are more able to draw on family contributions and therefore can be provided with a lower total amount of support. In practice, individual students will have very different degrees of access to additional support from family in cash or kind (e.g. rent-free accommodation) and to part-time or vacation work, for example. That variation is important for individual students but again cannot be taken into account in these comparisons.

(c) Total final debt

Total final debt is the combination of debt for fees and debt for living costs.

In each part of the UK the student loan system used for fees is exactly the same one as is used for living costs, and the totals for each are aggregated into a single calculation of government debt. Student loan repayments are then collected as a proportion of earnings, functioning as a de facto graduate tax. The higher the loan, the longer the student will remain in repayment.

Once students leave university or college it makes absolutely no practical difference whether their government debt was originally incurred for fees or for living costs. Tuition fee debt is often implied to be intrinsically more of a burden than debt incurred for living costs. The impact on earnings is in fact indistinguishable. The tendency of commentators and politicians to discuss one as essentially “good” and the other as “bad” has obscured the reality of how government policy on student support affects individuals.

It is sometimes argued that living cost debt is “good” because additional student loan may be used to displace commercial debt, while debt for fees is “bad” because it would be debt for a liability from which all students are currently shielded. This argument is only superficially persuasive. First, it assumes that living cost loan will be a substitute for commercial debt. That evidently is not true where loan is provided as a direct replacement for previously-available grant, as in Scotland in 2013-14. More fundamentally, this argument takes as read that a model where fees create no debt for any student, regardless of income, but living cost benefits for poorer students will be provided through a mixture of grant and loan, is itself an unproblematic starting point in terms of equity. Yet such a system can have very regressive effects, particularly when the ratio of grant to loan is as low as it now is in Scotland. The analysis which follows will demonstrate how this is so.

(d) Impact of debt on take-home pay

It is only once repayments have to be made from earnings that student loan liability crystallises into a defined financial impact on individuals. **The detail of the relevant student loan scheme has a significant effect on what is actually collected and therefore on the spending power of former students over the course of their later lives.**

Two student loan systems are used in the UK. For Northern Ireland and Scotland, interest rates are lower, but repayments begin at a lower level of earnings and have a higher cash value at any given income over the threshold. England and Wales have moved to a system in which higher interest pushes up the real term value of the loan, but repayments are deferred for longer and taken from earnings more gradually once they start².

In particular, while English students will generally face the highest levels of final debt in the UK, in many cases actual repayments will be significantly lower than the commonly-quoted headline figures. A recent analysis undertaken by SPICe demonstrated how significant that effect can be. For the lowest earners, the calculations showed that under the current loan schemes a debt of £16,000 in Scottish/NI scheme would result in a higher total amount of life-time repayments than a starting debt of £36,000 in the English/Welsh scheme³.

This paper is only able to take its analysis to the point at which graduates complete their course. This is the last stage at which it is possible to undertake straightforward comparative analysis of systems for students starting from different backgrounds. Readers should nevertheless bear in mind that the same level of debt could translate into very different amounts of actual repayment, depending on graduates' actual future earnings and which loan system they are in⁴.

² Repayments are deducted at the rate of 9% per annum of all gross salary above the threshold. The higher the threshold, the lower the total amount which will be deducted at any given salary.

³ Student Loan and Repayments, Briefing Note SB 13-78, Scottish Parliament Information Centre 21 November 2013 <http://www.scottish.parliament.uk/parliamentarybusiness/70209.aspx>

⁴ A study of the relationship between graduate earnings and initial household income in each jurisdiction, combined with projections of final debt and different loan regimes, would produce a more complete picture of how the different systems affect entrants from different backgrounds in practice, particularly how far they function to concentrate or redistribute existing wealth. But that exercise is more complex than can be attempted here.

General note on data sources

Detailed figures for the four UK student support systems have been taken from the website of the Student Awards Agency Scotland (SAAS) and the on-line student finance calculators for England, Wales and Northern Ireland. The relevant figures for Scotland for 2012-13 are no longer available on the SAAS website but can be found at www.adventuresinevidence.com

Figures for actual spending and student borrowing in Scotland have been taken from *Higher Education Student Support in Scotland 2012-13*, Scottish Government 29 October 2013 and, where relevant, earlier documents in this series.

Data on budgeted borrowing figures has been taken from various draft Scottish budget documents over the period.

Where parliamentary questions have been used as a source of data, the PQ number is given and the full answer can be found at <http://www.scottish.parliament.uk/parliamentarybusiness>

Figures for institutional bursaries in England have been taken from the websites of the institutions concerned.

References to other data sources are provided in footnotes.

SECTION 3: STUDENT SUPPORT ACROSS THE UK IN 2014-15

A. THE PATTERN OF CHANGE

The overall picture is one of marginal change, but no standard pattern.

a. Inputs

Net fee costs (i.e. the amount not grant-aided by the state) will rise slightly in real terms in Wales and in Northern Ireland, from £3,575 to £3,685. The positions are unchanged in England and Scotland.

Grants will be frozen in all the devolved jurisdictions and increase below inflation in England. Living cost loans will rise in real terms in Scotland. In Wales, they will increase at rates slightly below and above inflation and, in England, below inflation. In Northern Ireland they will be frozen.

b. Outputs

Spending power will:

- rise faster than inflation for all students in Scotland, particularly at higher incomes
- rise slightly in real terms for a few higher-income students in Wales, but below inflation for most
- rise below inflation for all students in England
- be frozen in cash terms for the Northern Irish.

Debt will:

- increase most in Scotland, at rates above inflation, particularly at higher incomes
- increase at inflation or slightly above in Wales, and at inflation or slightly below in Northern Ireland
- fall in real terms for all students in England.

England is the only jurisdiction where spending power will rise more than debt, although in Scotland the increase in debt will be only marginally higher or the same as for spending power. In Wales and Northern Ireland debt will rise more quickly than spending power. Further detail is provided at Annex B, which also explains the underlying structure of the different systems now in place across the UK.

B. DETAILED COMPARISON OF UK SYSTEMS IN 2014-15

The Scottish Government has relied strongly on cross-UK comparisons in its presentation and defence of the changes introduced in 2013-14.

Its initial press notice, titled “*UK’s best student support package*”⁵, stated:

“Scottish students will benefit from the best funding package available in the UK with enhanced support and free tuition, Education Secretary Michael Russell announced today.

⁵ Scottish Government 22 August 2012 <http://www.scotland.gov.uk/News/Releases/2012/08/student-support22082012>

On top of current benefits such as free tuition, the new package, to be introduced in 2013 includes:

- *An annual minimum income of £7,250, through a combination of bursaries and loans, for students with a family income of less than £17,000*
- *All students, irrespective of circumstances, will be eligible for a student loan of £4,500 a year - as requested by NUS Scotland who want to see more cash in student pockets*
- *Part-time students with a personal income of less than £25,000 will now receive full support for tuition fees as a proportion of the full-time fee equivalent.*

Mr Russell made the announcement at Glasgow University's REACH programme which helps young people realise their ambition to attend university. He said:

'Scotland is the only country in the UK with free higher education. It is the only country to see an increase in the number of young people applying for courses⁶ as well as the highest number of students ever accepted into our universities on Higher results day. This is tremendous news and a clear vindication of our policy of no tuition fees.

"Today, I am delighted to announce changes which will enhance the offer by ensuring that Scottish students can access the best and most straightforward package of student support in the UK."

The "best package" claim has remained an important part of the government's position on the changes.

The original announcement did not provide any information about other UK systems, but the Scottish Government has since responded to requests for more detail about the basis for its claim. In a letter to the Scottish Parliament's Education and Culture Committee, the Cabinet Secretary for Education and Lifelong Learning⁷ stated:

"In terms of a comparative analysis of the Scottish funding package:

- *For Scottish domiciled and EU students we guarantee free undergraduate tuition ensuring study is based on the ability to learn not pay. We are the only country in these isles to do so.*

⁶ This is a reference to the UCAS data for 2012 entrants, the most recent available at the time. According to more recent data now available, for 2013: "Acceptances of UK students to UK institutions are also at a record level (433,612), 6.7 per cent up, with young people and the most disadvantaged more likely to enter higher education than ever before. Most of the increase relates to institutions in England (7.1 per cent) and Wales (5.7 per cent); institutions in Northern Ireland grew by 9.2 per cent and those in Scotland by 1.5 per cent". *Record number of applicants accepted into UK higher education* UCAS 23 December 2013 <http://www.ucas.com/news-events/news/2013/record-number-applicants-accepted-uk-higher-education-he>

⁷ Letter dated 18 October 2013 available at <http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/67351.aspx>. The same factors were referred in the answer to [Question S4W-17797 answered on 8 November 2013](#)

- *For students living at home, our minimum income guarantee of £7,250 per year for students from the poorest background is the highest in the UK. In England the equivalent figure is £6,052 per year, for Wales it is £6,573 per year and for Northern Ireland the figure is £5,338.*
- *For students not living at home, our minimum income guarantee of £7,250 per year for students from the poorest background compares to £7,177 in England, £6,428 in Northern Ireland and £7,736 in Wales.*

As I noted in my evidence to the Committee there has been an attempt to ‘salami slice’ this package for different groups of students and thereby claim that our overall package is not the best in the UK. The clearest response to this is to highlight the view of NUS Scotland who themselves described our package as ‘the best in the UK’.” (NUS Scotland media release; 22 August 2012⁸)

The reference to the NUS Scotland position is significant. From around October 2013, the “best in UK” claim has been consistently qualified by a reference to this being the view of the NUS rather than simply that of the government⁹. The NUS was extensively quoted on 22 August 2012 echoing the Scottish Government’s “best in UK” claim, although more recent quotes to this effect are not readily found¹⁰. The reference to “salami slicing” is presumably to detailed examinations of the actual content of the Scottish system in comparison with those found elsewhere in the UK.

There is some evidence that the Scottish government may not have undertaken these sort of detailed comparisons. In response to a parliamentary question on 17 January 2014, the Scottish Government declined to provide comparative data relating to student spending power at incomes above £16,999, as “We do not hold information on support available to students from elsewhere in the UK.”¹¹.

The remainder of this section looks at how the arrangements in Scotland will compare in 2014-15 with others in the UK on the two measures of practical importance to students where UK systems will vary, i.e. spending power and final debt, to examine how far the evidence does in fact support the claim that Scotland offers the best arrangements in the UK.

a. Spending power

Spending power is the combined value of grant and loan provided to support living costs.

⁸ <http://www.nus.org.uk/en/news/nus-scotland-welcomes-huge-step-forward-on-student-support/>

⁹ See for example the Cabinet Secretary for Education and Lifelong Learning’s address to the SNP Conference 20 October 2013, where the phrase “what NUS describe as “the best package of student support in the UK” is used twice in the published text. <http://www.snp.org/blog/post/2013/oct/michael-russell-conference-address>

¹⁰ Its submission of 18 September 2013 on the 2014-15 Scottish Budget to the Scottish Parliament’s Education and Culture Committee says simply that “NUS Scotland was pleased when the Scottish Government heeded our calls to dramatically improve student support for higher education students.” It also argues that increases in future years for poorer students should be through higher bursary rather than loan. The submission is available here <http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/67351.aspx>

¹¹ Response to Parliamentary Question S4W-19052, answered on 17 January 2014.

Improving the total value of spending power support has been a particular focus of campaigning by students in Scotland in recent years¹². By 2012-13, the maximum support available to students from Scotland was £6380 a year, similar to the figure for Northern Ireland, but below that for new students from Wales (£6900) and England (£7125) in that year. As illustrated above, improved spending power in 2013-14 was central to the Scottish Government's description of the package as best in the UK.

i. Students studying away from home

The majority of students live away from home¹³. This group tends to face higher living costs and historically has been funded at a higher rate than those who are able to live in the parental home.

¹² See for example *Still in the Red*, NUS Scotland 28 September 2010, <http://www.nus.org.uk/en/news/still-in-the-red-release/>

¹³ In 2012-13, 56% of all Scottish-domiciled full-time undergraduate students supported by SAAS lived away from the parental home. The figure for young students was 50% and for independent/mature students 83%: see answer to PQ S4W-19055, on 17 January 2014. In 2011, around 80% of UK students reportedly studied away from home: <http://www.theguardian.com/money/2011/aug/12/stay-at-home-students>. Recent research undertaken by Cambridge Occupational Analysis reported in The Independent on 22 December 2013 suggested that young students were becoming less inclined to live at home, including in Scotland, where 31% stated this as their preference, compared to 44% in 2011. <http://www.independent.co.uk/news/education/education-news/more-students-want-to-study-away-from-home--despite-tuition-fees-9021187.html>.

Figure 1 compares spending power for students living away from home next year. It includes for comparison the 2012-13 figures for Scotland, to show how spending power here will have increased over the 2 years¹⁴. All figures are in cash terms.

For most Scottish students, spending power has risen well above inflation since 2012-13. Previously at a level comparable to Northern Ireland, it will now be closer to what applies in England and Wales.

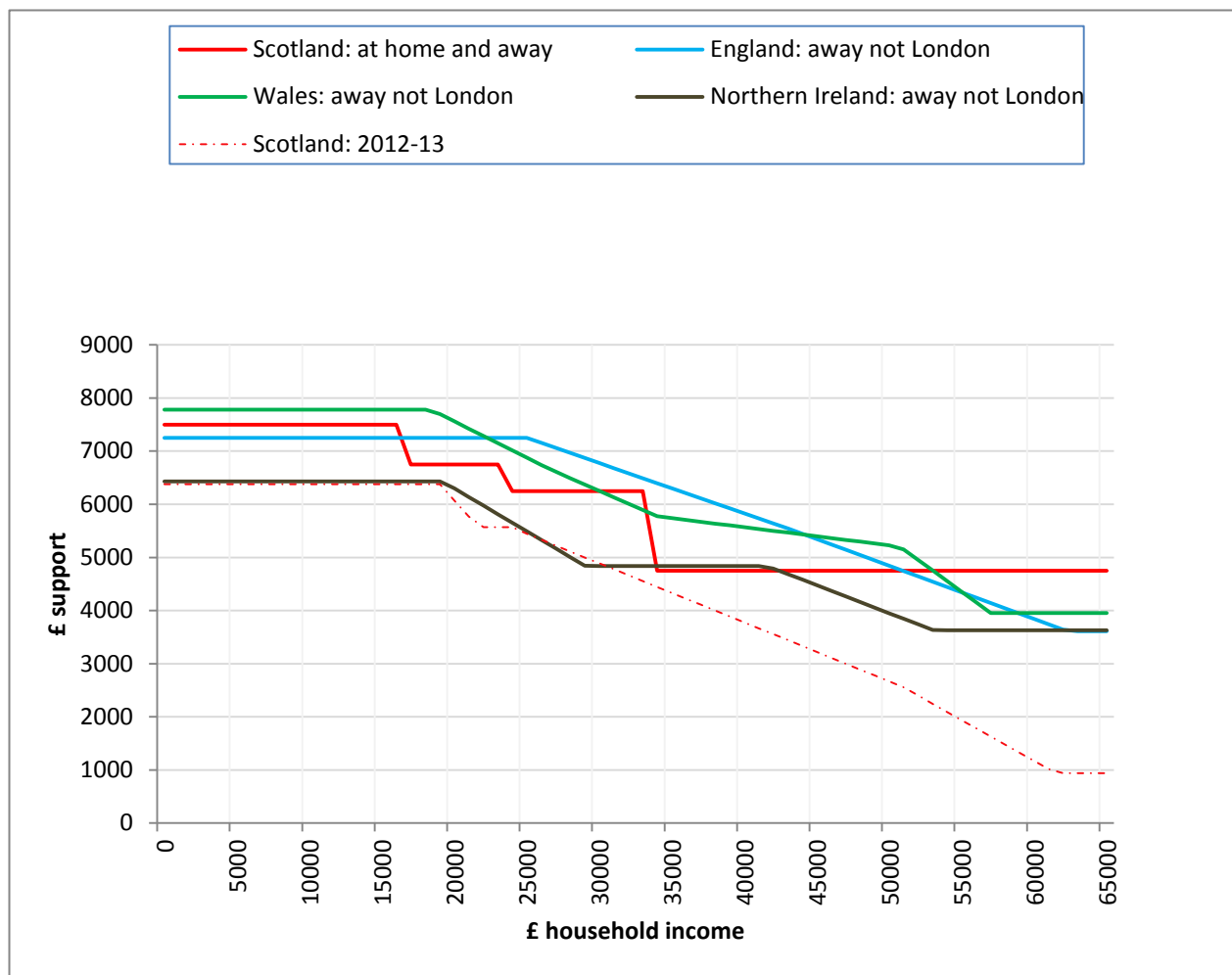
The highest spending power for this group is generally provided by English and Welsh systems, although at incomes above £54,000, Scotland will offer the most support.

For those up to £17,000 and a small group just below £34,000, Scotland will offer the second highest level of support for spending. For most of the rest it will rank third out of four in the UK. For those between £34,000 and £44,000 Scottish living cost support will be the lowest in the UK, being up to 25% below the highest equivalent figures, which are found in England.

From 2013-14, the Scottish system is stepped rather than tapered. The Scottish Government has described this as part a process of simplification. The change creates sudden falls in entitlement for students with incomes at £17,000, £24,000 and £34,000 and just above.

¹⁴ The figures used for 2012-13 are for young students. The figures for mature students in Scotland were slightly different, but not by enough to be worth complicating the graph.

Figure 1: State-supported spending power (grant plus loan) in each UK jurisdiction 2014-15:



It is not clear why resources have been used in Scotland to take those at £54,000 and above (and most of those living at home – see below) to relatively high levels of support, rather than to increase further the value of “living away” support for those at middle and low incomes, who are likeliest to experience the greatest need.

One explanation may lie in other data¹⁵ which indicates that those at higher incomes are less likely to take up their entitlement to living cost loan in practice, whereas loan offered to those at lower incomes is more likely to be used. So transferring loan from richer to poorer students is not budget-neutral and a large increase in the minimum loan will cost the same as a smaller, less obvious increase in spending power at lower incomes. Alternatively, or in addition, it may be a function of the desire to have a simplified system with as few different rates as possible.

Not included here is additional spending power made available through loans for those studying in London (for students from England, Wales and Northern Ireland only) or from the institutional bursaries which are discussed at [Annex B](#).

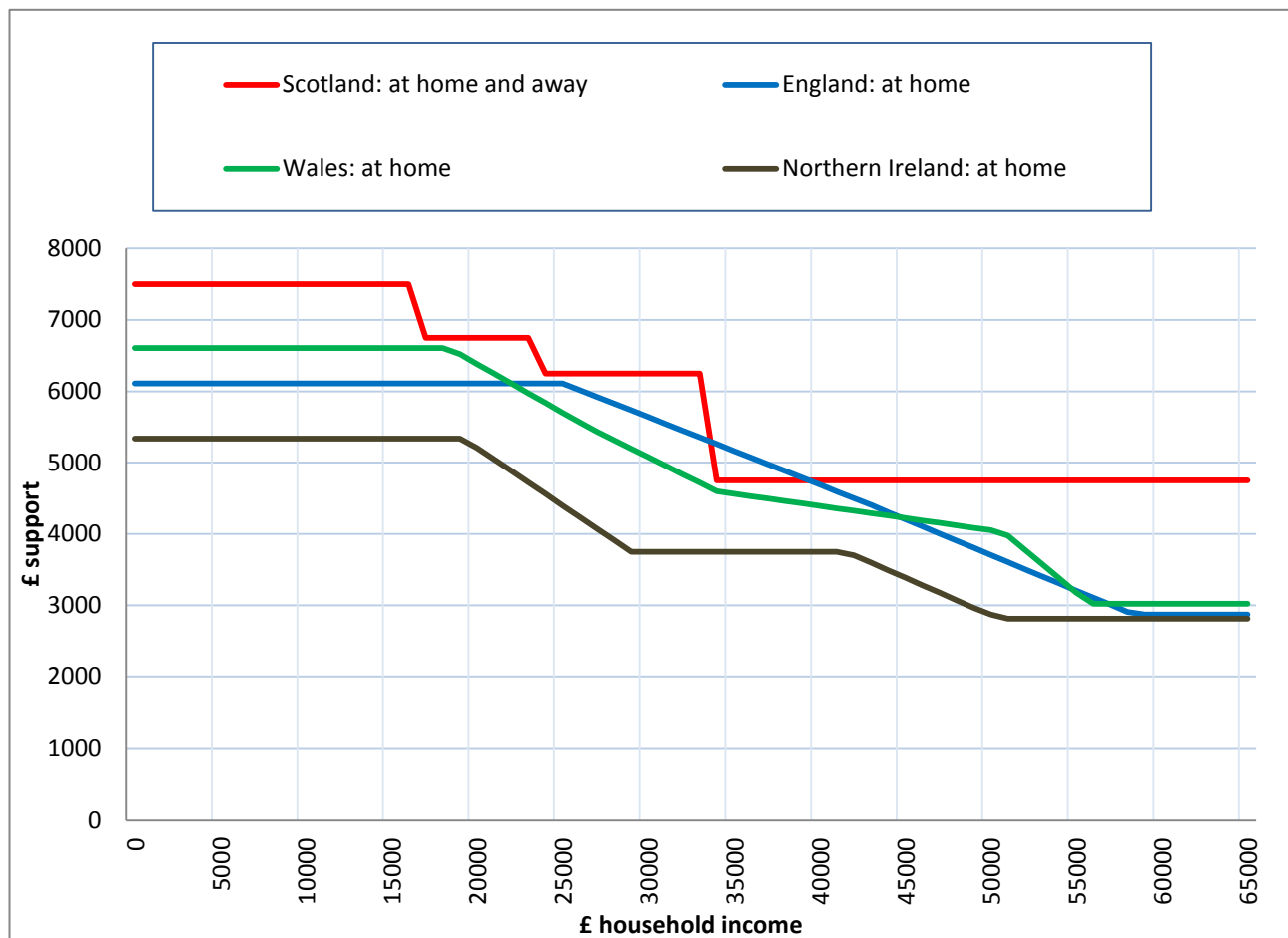
ii. Students living at home

In 2013-14, for Scottish students the distinction was removed between those living at home and those living away.

¹⁵ See Section 4A below.

Figure 2 compares spending power for those living at home. Scotland, with minor exceptions, will offer the most generous package to this group.

Figure 2: Spending Power (grant plus loan) in each UK jurisdiction



The spending power of those living at home is the only output measure quoted by the Scottish Government in support of its view that Scotland has the best package of support in UK”, where the figures are generally most favourable to students from Scotland¹⁶.

The Scottish Government has explained its departure from previous practice for students living at home, as follows:

“The Scottish Government recognises the impact of increases in the cost of living for students. A key aim of the Post 16 Education Reform Programme is to simplify the main student support system whilst ensuring maximum benefit for all students.”¹⁷

It may be, as with those at higher incomes, many young people living at home are not expected to use this additional entitlement in practice, so that once again it is more affordable to improve support for this group than for those in more obvious need.

¹⁶ See page 15 above.

¹⁷ In response to Parliamentary Question S4W-19053, on 17 January 2014 .

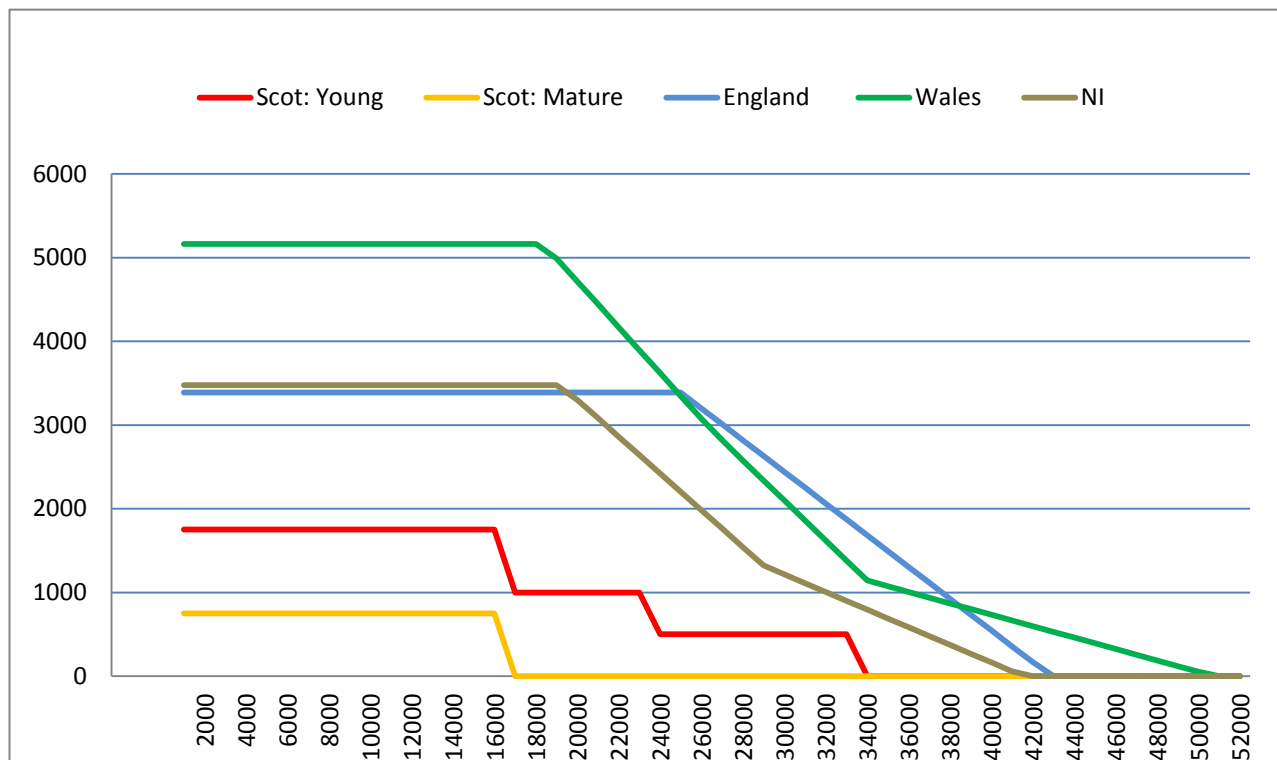
As before, these graphs exclude the effect of any additional spending power students can obtain via institutional bursaries and supplementary grants, particularly in England.

iii. Inputs to spending power

The figures below compare the use of grants and living cost loans, i.e. the inputs into spending power, in each part of the UK in 2014-15.

Figure 3 compares annual grant levels in each part of the UK. The figures apply to students living at home or away.

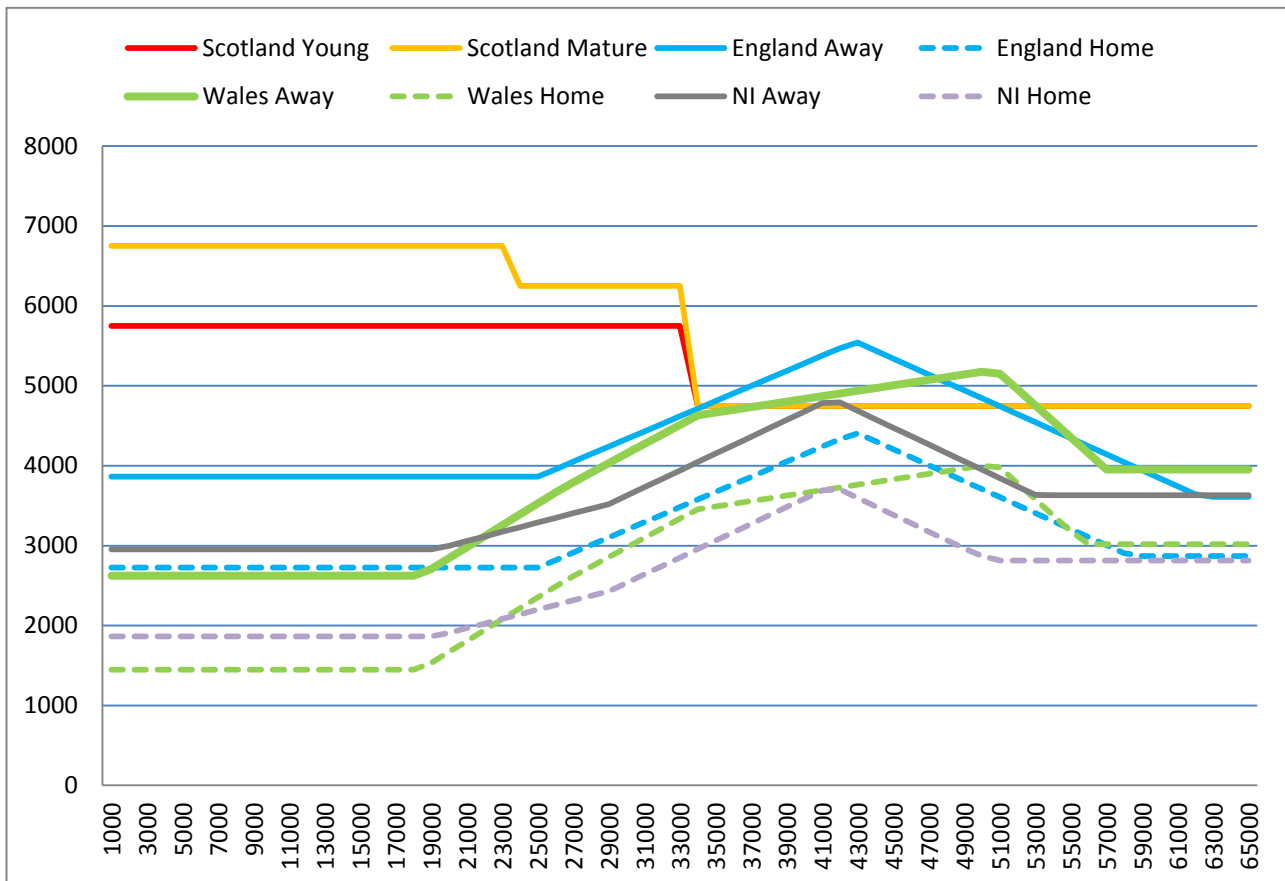
Figure 3: Main grant rates: 2014-15



Scotland makes significantly less use of grant, particularly for mature students. It is the only jurisdiction to provide a different rate of grant for that group. Wales makes the largest use of grant.

Figure 4 shows living cost loan, including the separate rates for students living at home and away students in England, Wales and Northern Ireland.

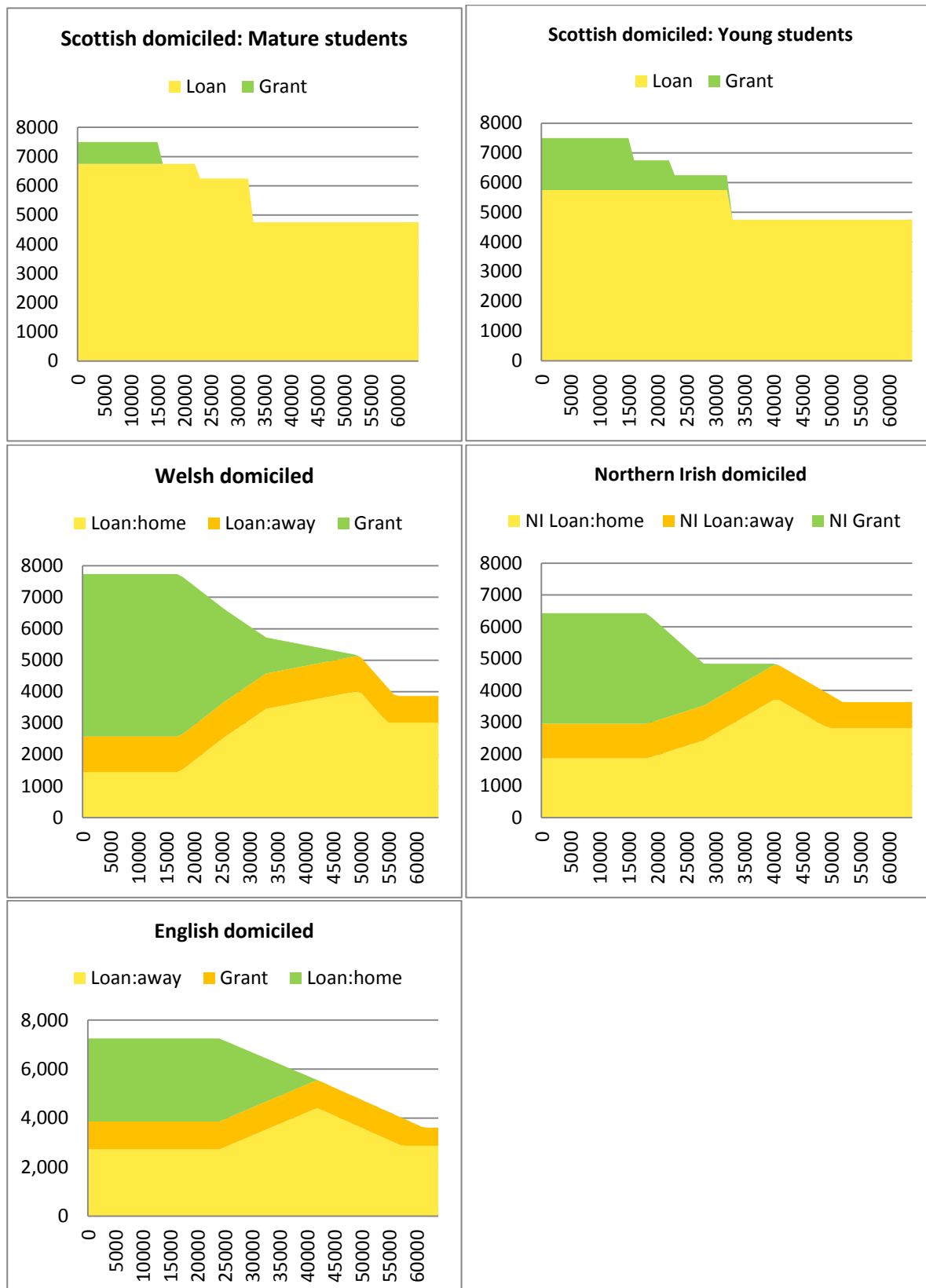
Figure 4: Living cost loan: 2014-15



Scotland makes the greatest use of living cost loan. As in 2013-14, it will be the only jurisdiction where the system is predicated on assigning the highest loans for living costs to students from the lowest incomes, which follows directly from its more limited use of grant. As a result, Scottish students at lower incomes are expected to have substantially more living cost debt than those from other jurisdictions, particularly compared to Wales and particularly those living at home.

The figure on the next page provides a comparative overview of the use of grant and loan to support living costs in each jurisdiction.

Figure 5: 2014-15 spending power by component



b. Final debt

The other output to consider is final debt. This is the combined total of student loan taken out for fees and for living costs over the whole period of study.

Debt is less straightforward to compare than spending power.

i. Ways of comparing debt

- **Annual debt provides a basis for comparing courses of identical length**, even if few students in practice will complete with a single year's debt.
- **"Degree length debt" takes into account that an honours degree in Scotland generally requires four years** and elsewhere in the UK, three. There are exceptions to both these, of course, but the difference remains highly relevant for Scottish students who wish to take account of free tuition and study to honours level. Further, it is more common in Scotland for students to enter a degree course direct from study for a Higher National qualification. This still frequently involves students in at least one extra year of study, compared to those who go straight into a degree course, adding to the numbers for whom it is relevant to make comparisons which include an additional year for Scotland.

Each of these versions of debt can be looked at in two further ways:

- **The debt associated in each system with students claiming their full package of support.** This provides figures consistent with the spending power comparisons made above.
- Stripping out the effect of differences in spending power gives **the amount of debt students in each part of the UK would need to take out in order to achieve the same level of spend**, and so provides a better like-for-like comparison of which systems are "best" purely in relation to enabling students to keep down their total debt.

This provides four permutations, all of which are shown below. Where comparisons equalise for spending, this is pegged to the Scottish level at any particular income. While in practice few students living at home in other jurisdictions will be able to borrow to this level, students living away often could, so the comparison is more than theoretical. Figures not adjusted in this way are described below as "raw debt".

Each approach produces subtly different results. However, **the consistent picture is of one set of figures, for various systems from the devolved nations, bunching round a lower set of values and another at a higher set, including but not only those for English students.**

Exactly which jurisdiction provides the lowest debt for low-income students varies. The systems for all Welsh students and for young Scots studying in Scotland tend to vie for the lowest position. **Mature Scots in Scotland by contrast tend to be relatively highly-indebted among students from the devolved administrations.**

Scots who leave Scotland to study, particularly low-income mature Scots, similarly emerge consistently as the most indebted group in the UK. **The lower debt of Northern Irish and Welsh students who cross their border brings out how much policy choice in Scotland determines how much total debt will be faced by students studying in another part of UK.**

Tuition fee borrowing in all parts of the UK, where it applies, is flat-rate, so the unique pattern of higher borrowing at the lowest incomes in Scotland carries forward into all these figures. **This**

explains why, exceptionally, higher-income Scots emerge as a consistently low-debt group, relative to all other UK students.

Other points to note:

- The different interest rates charged in the schemes for Scotland/Northern Ireland and England/Wales between the start of the course and the April after the end of the course, being the earliest point graduates enter repayment, have been factored in¹⁸.
- Fee loans are assumed to be at the £9000 maximum for any students studying in England, and any other border-crossers from domiciles other than Wales: in practice the average fee loan reported by the Student Loans Company to English-domiciled students in 2013-14 is £8100¹⁹. **The calculations here therefore show the figures for students facing the highest fee costs, rather than the average.**
- The figures exclude the effect of any fee waivers or bursaries provided by institutions, discussed at [Annex B](#).
- The Scottish figures are always shown in two lines, reflecting that mature students in Scotland have lower grant and higher debt.
- Raw debt figures for other parts of the UK include a lower line loan for those living at home than those away, reflecting their lower spending support. When debt is equalised to the single Scottish figure for spending, that distinction is removed, leaving a single line for every other part of the UK.
- A flat-rate write-off of £1,500 of debt promised to most Welsh-domiciled students on completion of their course is excluded from the annual figures, as this will rarely be felt in full against a single year's figures, but shown as an additional element in the degree-length comparisons.

¹⁸ The loan scheme for England/Wales applies RPI plus 3% (currently 6.3% in total) to student loans during the period of study, while that for Scotland /Northern Ireland currently applies 1.5%. For the comparison of debt, annual loan values for England and Wales have been uprated by 4.2% and Scottish/Northern Irish by 1%, reflecting loan is not all issued at the start of the year. For the "degree length" calculation, the total uprating applied is 14% for E/W and 3% for Northern Ireland, reflecting the compound effect over 3 years, and 4% for Scotland over 4 years, again reflecting the phased issuing of debt. Further information on interest rates can be found on the Student Loans Company website, for example in "interest rate" sections of

http://www.studentloanrepayment.co.uk/portal/page?_pageid=93,6678755&_dad=portal&_schema=PORTAL

¹⁹ See table 4(c)(i) in *Student Support Awards (Loans and Grants) Academic Year 2013-14*

<http://www.slc.co.uk/statistics/national-statistics/newnationalstatistics1.aspx>

Note: reading the graphs

For each jurisdiction, **the solid line shows the debt associated with the main package on offer.** It shows:

- the “away” figures for England, Wales and Northern Ireland;
- the “in-country” figure for Scotland and Northern Ireland; and
- the young and mature figures separately for Scotland.

Dashed lines are used for the living at home figures, where these are different.

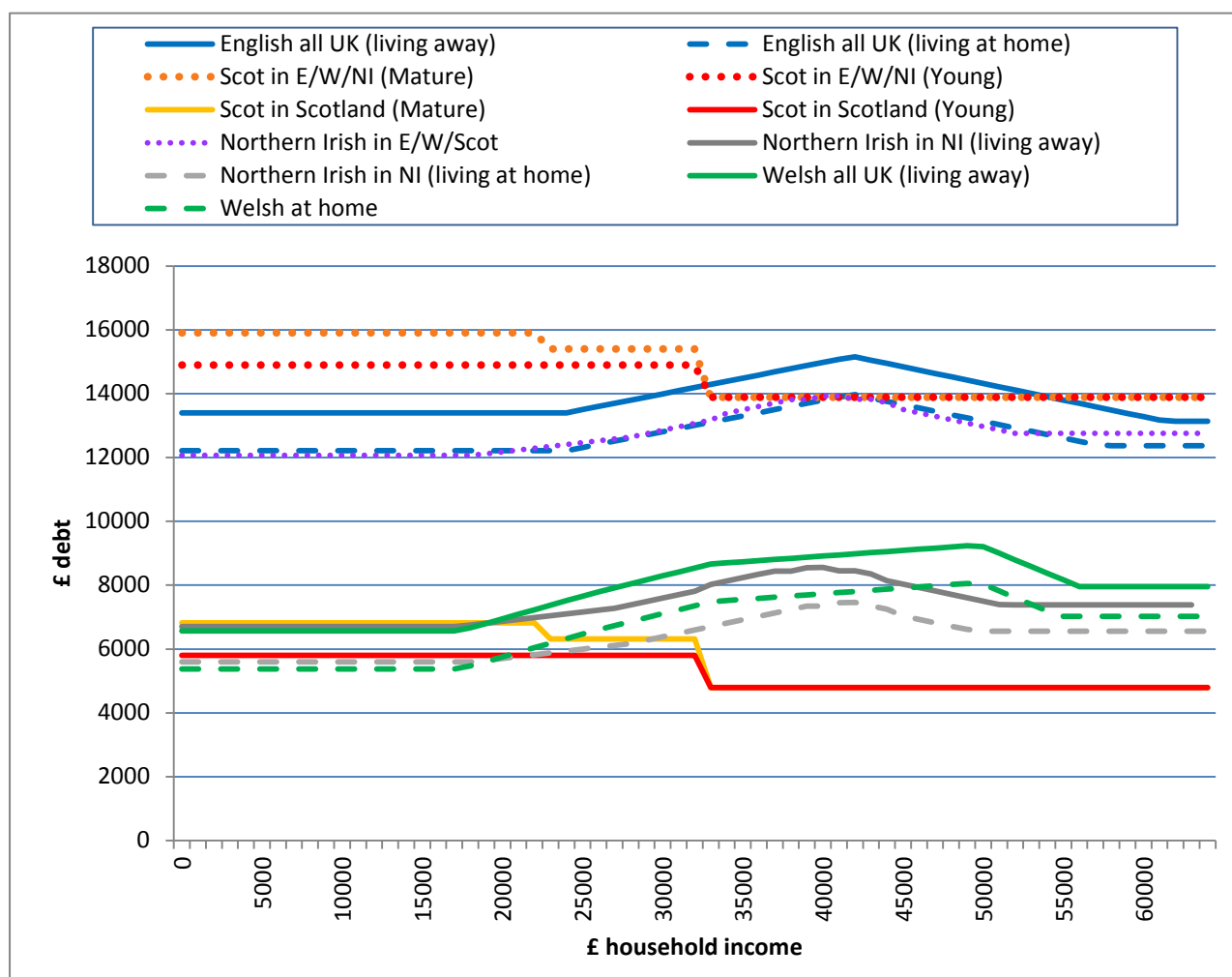
Dotted lines show study in another part of the UK, where this makes a difference.

The figures for England exclude the effect of institutional support available for students at lower incomes, discussed in Annex B. The graph in the Annex shows how the most generous of these could be used to close the gap in debt levels at lower incomes by £10,000 or more over the course of a degree. However, although all institutions will offer some form of additional support to some low income students, the levels are vary variable and so are not included here.

ii. Annual figures: raw debt

Figure 6 shows the expected annual student loan debt in the different parts of the UK in 2014-15 if students take out their full package of support.

Figure 6: Annual debt 2014-15: raw debt



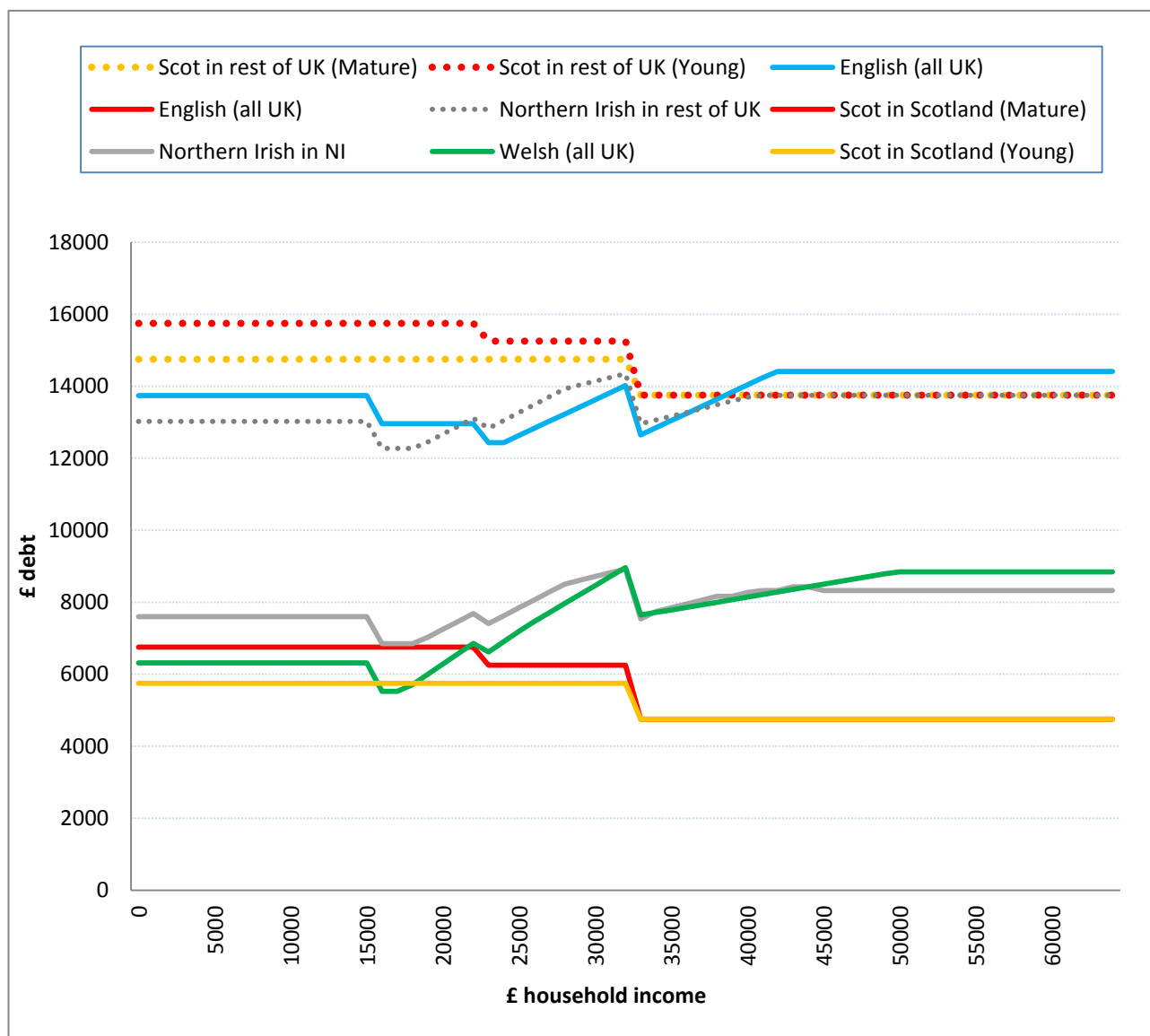
On this measure:

- Broadly two groups emerge, being all the devolved administrations in-country, and Welsh border crossers, as a lower debt group and English students and Scots and Northern Irish students who cross a border forming a clear higher debt group. Among these, Scots from low-income backgrounds have the highest debt.
- Among low-income students, those from Wales and Northern Ireland living at home are slightly less in debt than young Scots in Scotland. Low-income mature students in Scotland are by a very small margin most indebted among the devolved nations.
- Scots in Scotland from mid-to high-income households will have the lowest annual debt at this income level by a clear margin, though their Welsh and Northern Irish counterparts will still have relatively low annual debt compared to those in England.

iii. Annual debt equalised for spending power

Figure 7 compares expected debt levels, once different levels of spending power have been stripped out. The jaggedness appearing in the lines for other parts of the UK is a result of applying the step-changes in spending in the Scottish system to tapered models of grant elsewhere.

Figure 7: Annual total debt 2014-15: equalised for spending



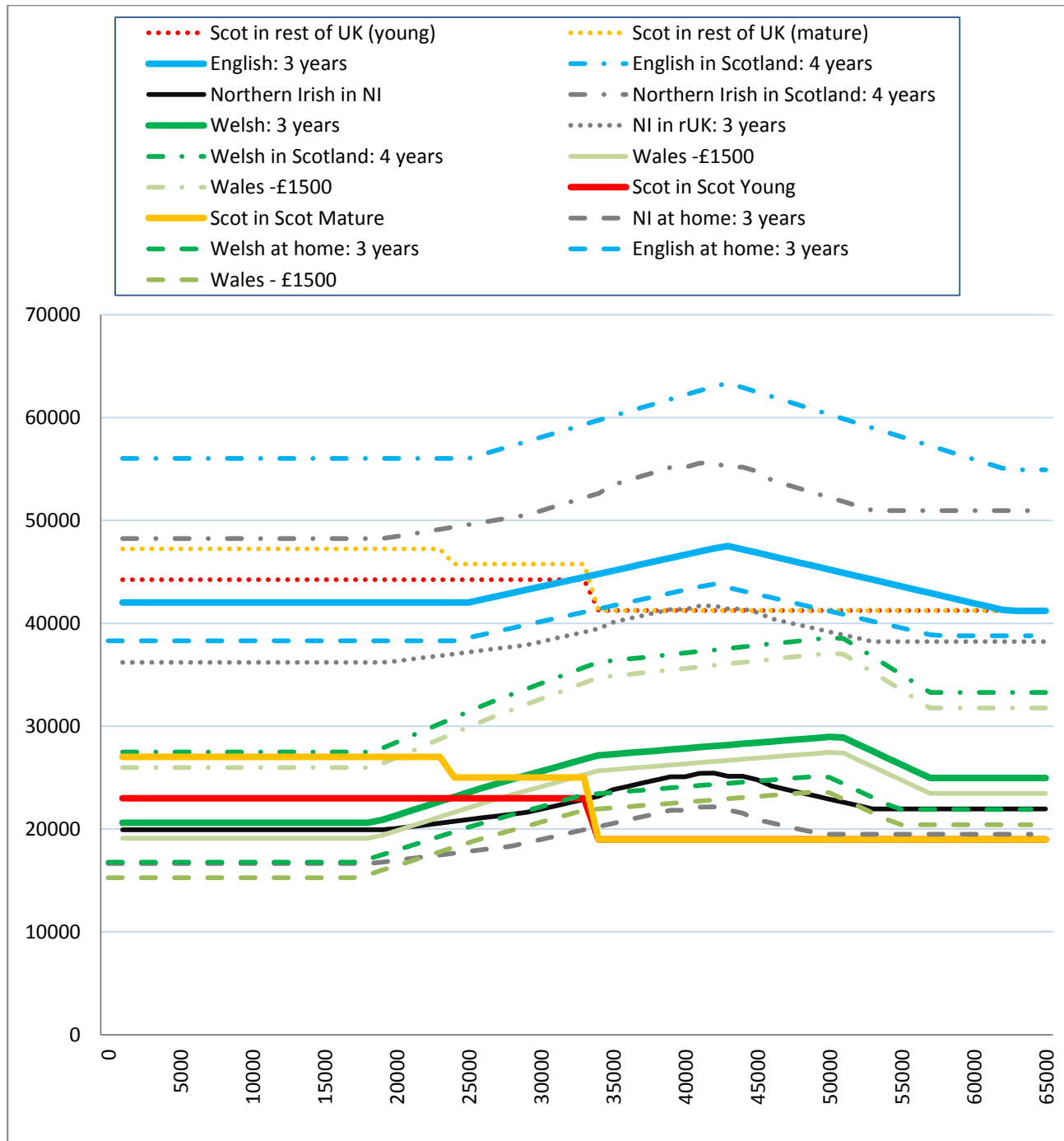
After removing differences in spending power, the pattern is similar as for raw debt, but with slight differences:

- Among low-income students, low-income Scots in Scotland will now mostly but not always have lower annual debt.
- At lower incomes, debt levels are lower for Welsh students anywhere in the UK than they are for mature students in Scotland. Almost all mature students fall below this income figure in practice so **on this measure Wales will to all intents and purposes offer the lowest level of debt in the UK for mature students.**
- Low-income Scots, particularly mature students, now more clearly face the highest annual debt of any group, if they cross the border.
- The relatively advantageous position of higher-income Scots in Scotland becomes particularly apparent. They are clearly the least indebted of any group of students in the UK.

iv. Degree-level debt: raw debt

Figure 8 shows the total debt associated with undertaking the shortest commonly-available honours degree in each jurisdiction, assumed to take 3 years in England, Wales and Northern Ireland and 4 years in Scotland. The figures include an additional line showing separately the effect of a £1,500 debt write-off promised to most Welsh students.

Figure 8: Degree-debt 2014-15: raw debt



This provides the most scattered set of results of any of the comparisons, over a range between a little below £20,000 and a little over £60,000, depending on country of origin, country of study, whether they live at home or away and, for Scottish students, status as young or mature.

There is still a cluster of results for students studying in-country in any the three devolved nations, plus most Welsh students wherever they study. No single country stands out in this group, other than Scotland, purely for its distinctive distributional pattern.

Students from England on 3 year courses, cross-border Scots, and Northern Irish students in England and Wales, and low-income Northern Irish students in Scotland, all cluster in a range between £36,000 and £48,000.

v. Degree-level debt: equalised for spending

The systems fall much more clearly into two groups when the figures are equalised for spending. **This set of calculations comes closest to giving a true like-for-like comparison of expected debt for honours students.**

In 2014-15, for those studying to honours there will be a clear division between:

- a) lower-debt systems, where debt will fall in a range £20,000 to £30,000. These are the systems for in-country students from Scotland and Northern Ireland, and for all Welsh students (except some who study in Scotland – see below). **The figures for Scots in Scotland and for Welsh students fall within near-identical upper and lower limits.** The only difference is, as before, that in Scotland debt goes from high to low as income rises, while in Wales the opposite happens. Scotland as a result once again has relatively high figures on this measure among the devolved nations for low-income degree students; and
- b) A higher debt group, with debt falling roughly within a range £37,000 to £47,000. These are the systems for English students (unless they study in Scotland), and cross-border Scottish and Northern Irish students (again, unless the latter study in Scotland).

Figure 9: Degree-length debt: equalised for spend



Taken together, these comparisons bring out that rather than the common contrast made in UK policy debate between Scottish students and all other UK students, for degree students the much clearer distinction is between:

- a) students in systems which are low fee/high grant or no fee/low grant (all in-country devolved; Wales anywhere in the UK) and
- b) those paying fees at the higher rate (all English; Scottish and Northern Irish cross-border).

These calculations bring out that **no-fee systems do not automatically generate the least debt.**

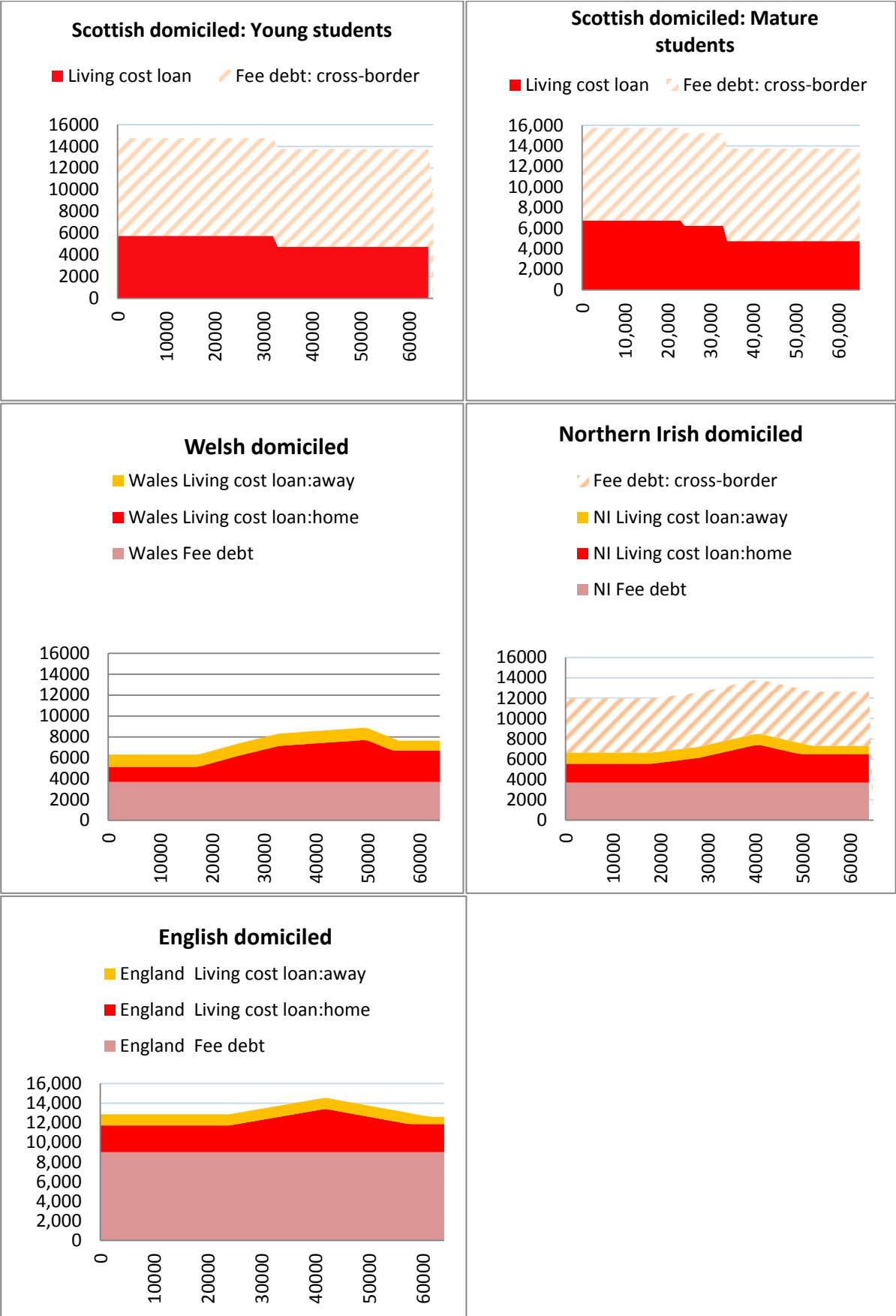
The most vivid illustration of this point is that low-fee/high-grant/£1,500 write-off Welsh students coming to Scotland for four years will have less debt, significantly so in a few cases, than low-grant/no-fee mature Scots who study on the same 4-year course and take out the same combined value of loan and grant. More generally, at the lowest incomes, among UK graduates those from Wales, with access to high grants and shorter degree courses, will emerge with the least debt. Similar students from Northern Ireland will also complete with the same or less debt as their Scottish equivalents.

vi. Inputs into final debt

The figure below shows how annual debt for fees and debt for living costs combine each year to create total debt in each jurisdiction. They illustrate the significance of the lower fee regimes for Welsh students and for Northern Irish students who study in Northern Ireland and how in both cases lower living cost debt balances against fee debt.

Wales stands out as the country which will limit debt within what might be termed “devolved” levels for all its students, wherever they study. England is the only one which will offer its students no possibility of lower debt, beyond what can be achieved through lower-fee courses, fee waivers or institutional bursaries.

Figure 10



SECTION 4: CHANGE OVER TIME IN SCOTLAND

A: CUMULATIVE EFFECT OF CHANGES BETWEEN 2012-13 AND 2014-15

a. The relative role of grant reductions and increased spending power

The changes in 2014-15 consolidate a real-terms shift away from grant and towards greater use of loan, and a reliance on increased loan to close the gap with England and Wales in spending levels.

Figure 11 and

Figure 12 below show the composition of support in 2014-15 for young and mature students respectively, with the 2012-13 figures drawn in for comparison. All figures are at 2013-14 prices and given for students studying away from home. Spending power will have risen for most students, but not as fast as debt for those at lower incomes.

Figure 11

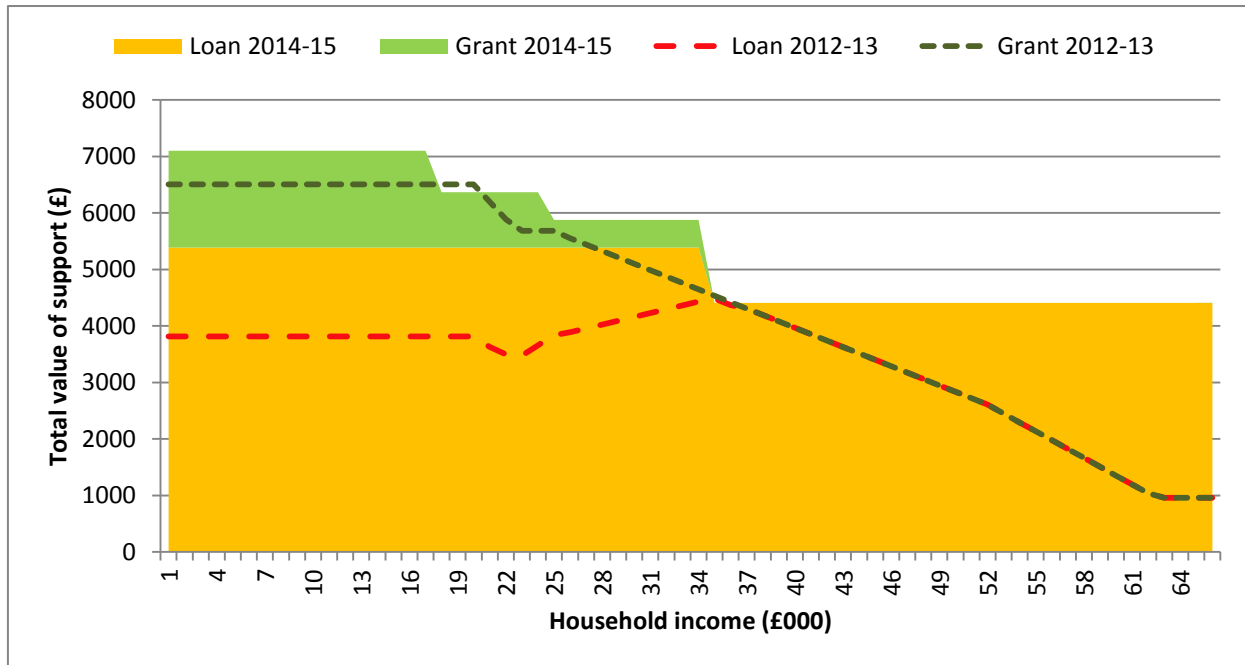
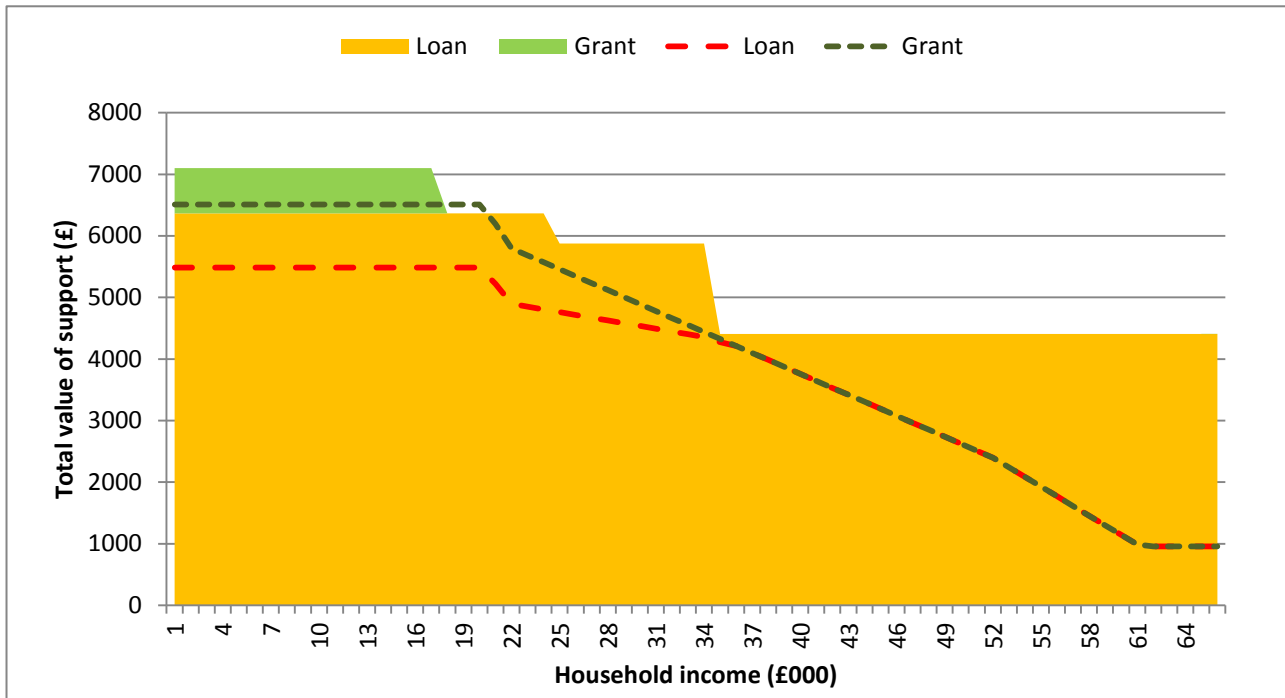
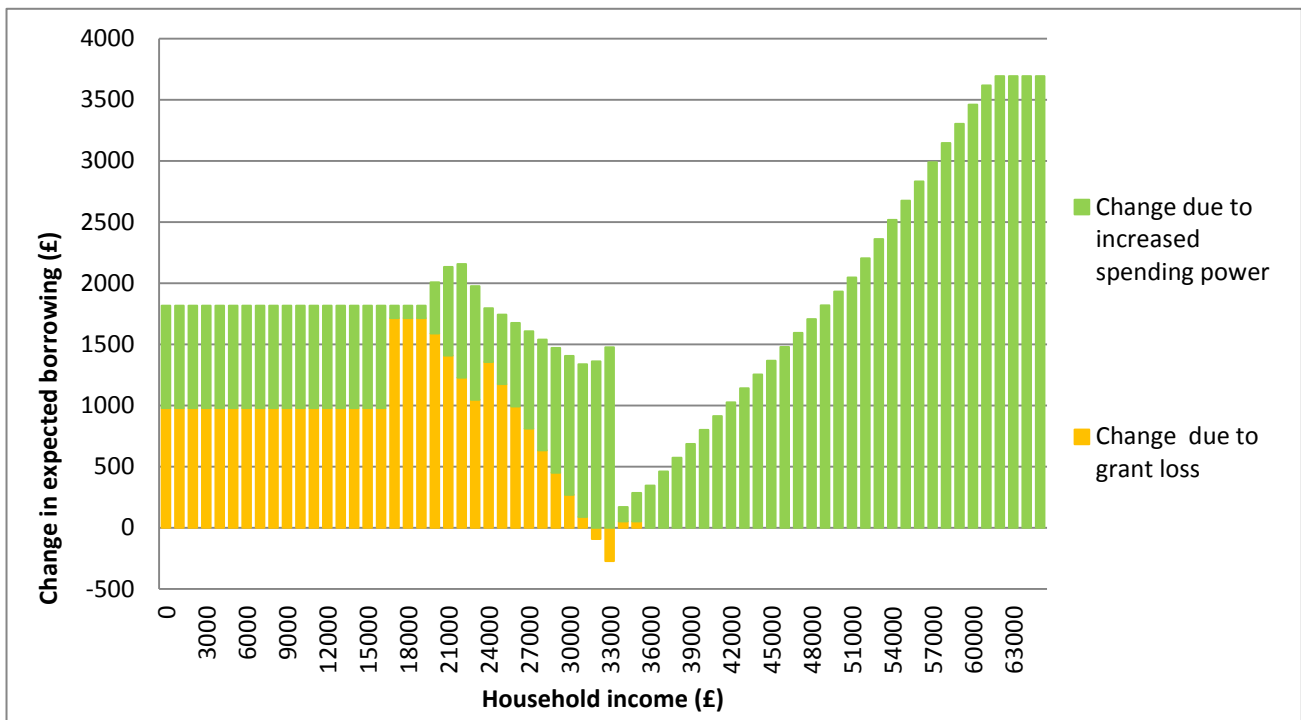


Figure 12



The figures below quantify how much of *change* in debt will have been due to increased spending power and how much due to lost grant at different incomes over the period.

Figure 13: Real terms change in expected annual debt between 2012-13 and 2014-15: young students in Scotland



For young students over the period:

- expected annual borrowing will have risen by at least £1500 for most.

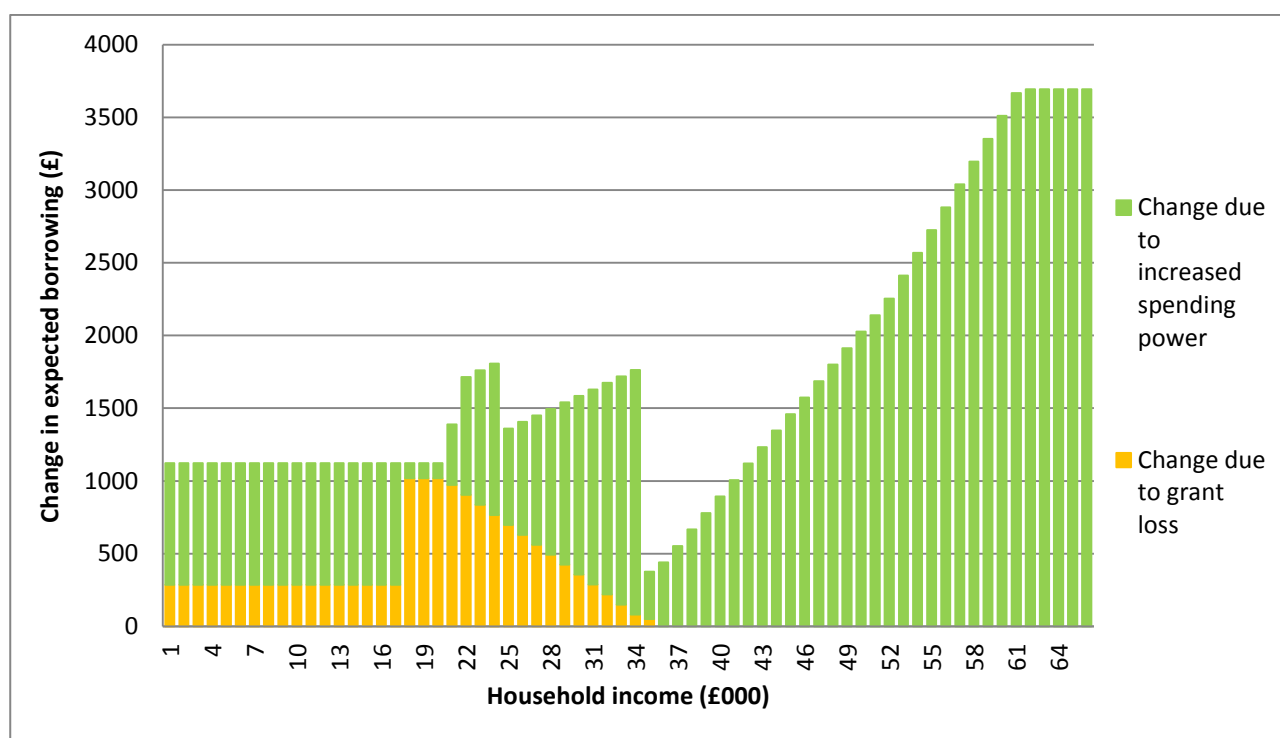
- loss of grant close to or more than £1000 a year will increase expected borrowing for all at incomes up to £26,000 (around 27,000 students²⁰).
- a small number (around 3,000 to 4,000) will have seen almost no change in spending power, but increased borrowing of more than £1500.
- at incomes above £30,000 extra debt will be largely or entirely due to increased spending power.

Over four years, young students studying in Scotland at incomes up to £28,000 will be expected to borrow at least an additional £6,000, and over £8,000 for some.

The highest potential increases are at the highest incomes, with over £14,000 extra debt projected for those over £60,000: this is all for extra spending, in particular through a substantially increased non-means-tested minimum loan.

Mature students started from a lower rate of grant in 2012-13, so there has been less scope for grant reductions to affect their borrowing. Most will see increases in expected borrowing of at least £1000 a year.

Figure 14: Real terms change in expected annual debt between 2012-13 and 2014-15: mature students in Scotland



The vast majority of mature students declare incomes below £17,000. So for most mature students, higher spending power will have played the largest role in increasing debt. However, for those just over that figure, the grant loss is £1000 a year and accounts for most of the change. This group is affected by the threshold up to which any grant is paid falling to £16,999, in comparison with a threshold for maximum grant of just over £19,000 in 2012-13.

²⁰ The numbers affected have been calculated using information provided in response to PQ S4W-18319 answered on 28 November 2013.

Over four years, most mature students studying in Scotland will be expected to borrow around £4,500 more.

It is these shifts which have been sufficient to bring degree-length debt levels for those at lower incomes in Scotland up to the same general level as in the other devolved administrations.

b. Conversion of theoretical loan entitlements into actual debt

A pattern of higher loan at lower incomes was already part of the Scottish arrangements before 2013-14²¹. The new arrangements are in fact less marked in that respect than before, because of the large increase in the minimum loan available at higher incomes.

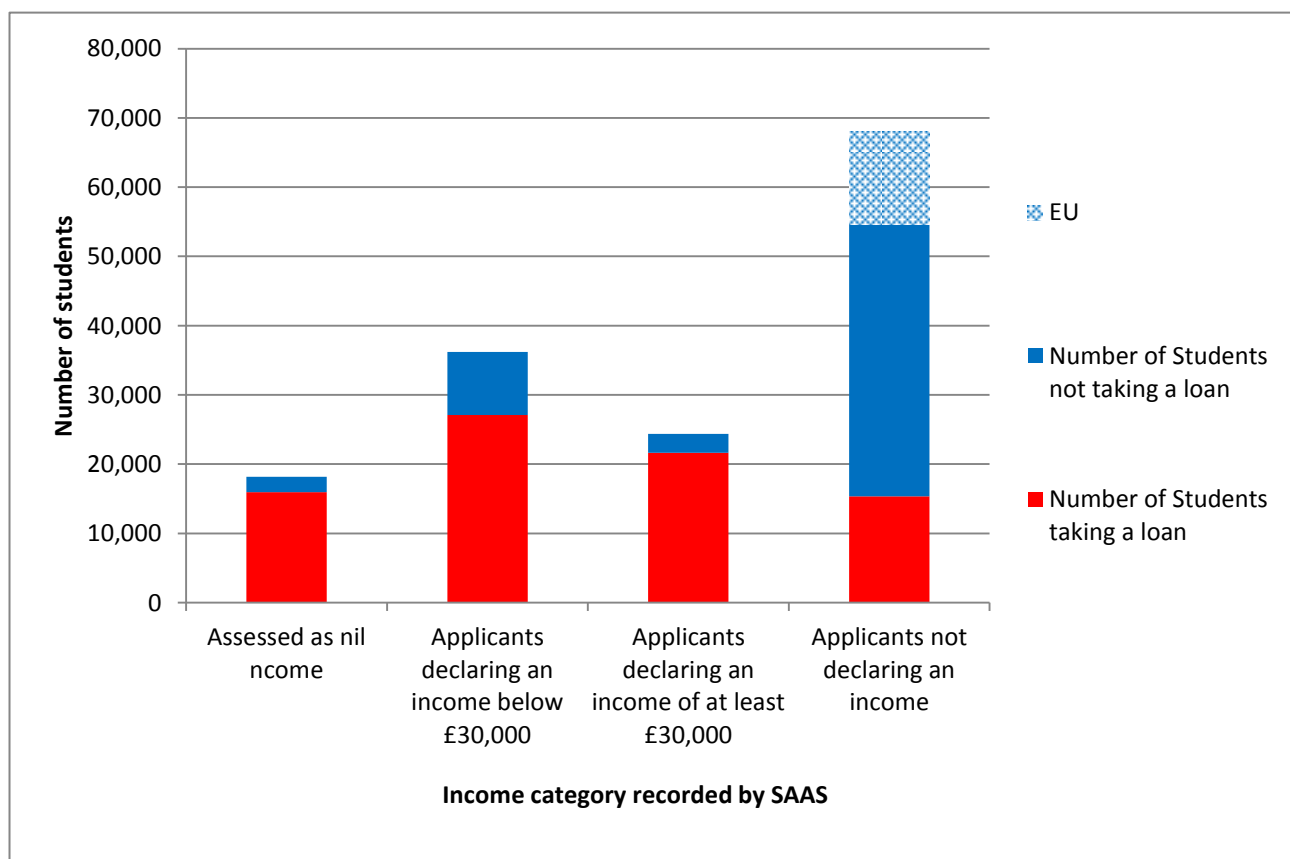
Whether the new arrangements will create a more even spread of debt in practice hangs on how far those at higher incomes will use their new higher entitlements, i.e. how likely it is that Scottish graduates from higher income homes will choose to have £14,000 more debt in future, in place of or as well as existing levels of family contribution.

Figure 15 shows the numbers taking and not taking a loan, in 2012-13 based on the income categories published by the Scottish Government.

²¹ See Figure 11 and

Figure 12 above.

Figure 15: Loan take-up in Scotland by income, 2012-13



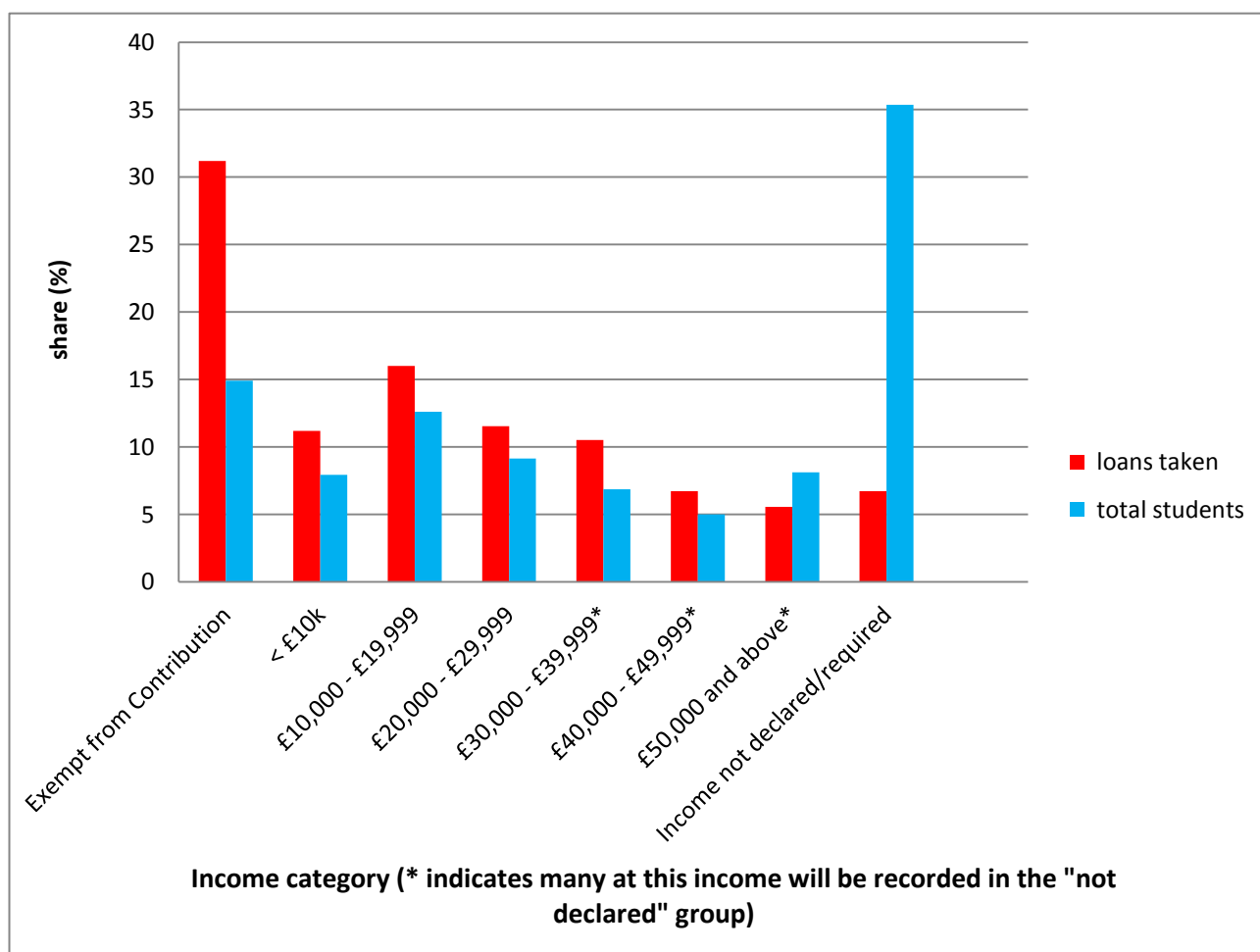
Note: EU students can also claim fees but not grants and loans: the graph shows the likely numbers of such students in this group, assuming all are included in the “undeclared” group.

Given the expected distribution of the student population by income, the “income undeclared/not required” group must contain a large proportion of those from higher incomes. This is plausible, as they had a high incentive to apply for non-means-tested assistance with fees, but a lower incentive to submit to means-testing for loans. Conversely, low-income students had a high incentive to declare their income, in order to obtain grant and additional loan. Relatively few are likely to be in the undeclared group.

These figures strongly suggest that in 2012-13 students at lower incomes were much more likely to take out a loan than students at higher incomes. **The figures show that in 2012-13 there were a significant number of Scottish students, likely to be drawn mainly from high income backgrounds, who left university with no government debt, even though they were entitled to at least the minimum amount and in many cases sums above that.**

Further data from 2012-13 shows that the actual distribution of debt was heavily skewed towards those from lower incomes. The figure below shows the percentage share of (a) student borrowings and (b) total Scottish-domiciled students supported by SAAS, across the recorded income categories.

Figure 16: % Share student loan debt taken out vs total Scottish-domiciled students, as recorded by SAAS 2012-13



It shows that while only 13% of students were assessed as having in effect nil income ("exempt from contribution") this group accounted for 31% of the total borrowing. More generally, 70% of borrowing was taken out by the 45% of students declaring an income below £30,000. The figures almost certainly hide a further division between those in households from £30,000 to around £50,000 and those at higher incomes. When all the data are considered together, it appears a reasonable assumption that the wealthiest quarter or so of households will be significantly over-represented among the 33% of Scottish domiciled students who take out no loan at all.

These figures include borrowing by students paying fees in other parts of the UK. If this is removed from the totals, the share of borrowing would be expected to shift slightly further towards less well-off students.

It remains to be seen whether the raised amount of minimum loan from 2013-14 will encourage those at higher incomes to increase their borrowing substantially. Those at middle incomes, between £30,000 to £50,000, may well borrow more: there are signs in the data that at incomes between £30,000 and £40,000 in particular those students who do borrow, are often borrowing the most they can. In other parts of the UK, this group would of course be treated as eligible for grant.

However, if borrowing habits in the top quarter or so of households by income remain much as now, then there is potential for the pattern to become more regressive, as those most dependent on state support take out their new, much higher full package of support, while low debt/debt free study remains common for their wealthier peers.

The systems in other parts of the UK are also to likely overstate borrowing at higher incomes and therefore be less progressive than the models suggest. However with a much higher general uptake of loan in other jurisdictions (87% of English domiciled students took out a loan for living costs and the same proportion one for fees, in 2012-13²²) and a starting point of lower additional living cost debt at lower incomes, actual debt levels will be far more evenly spread elsewhere and, in the case of Wales and Northern Ireland, within a similar range to that in Scotland.

More work could usefully be done across the UK which goes beyond the theoretical models and examines how student debt is distributed across the student population in practice. That would allow a much better understanding of what the real effects of the various systems are, across the income scale.

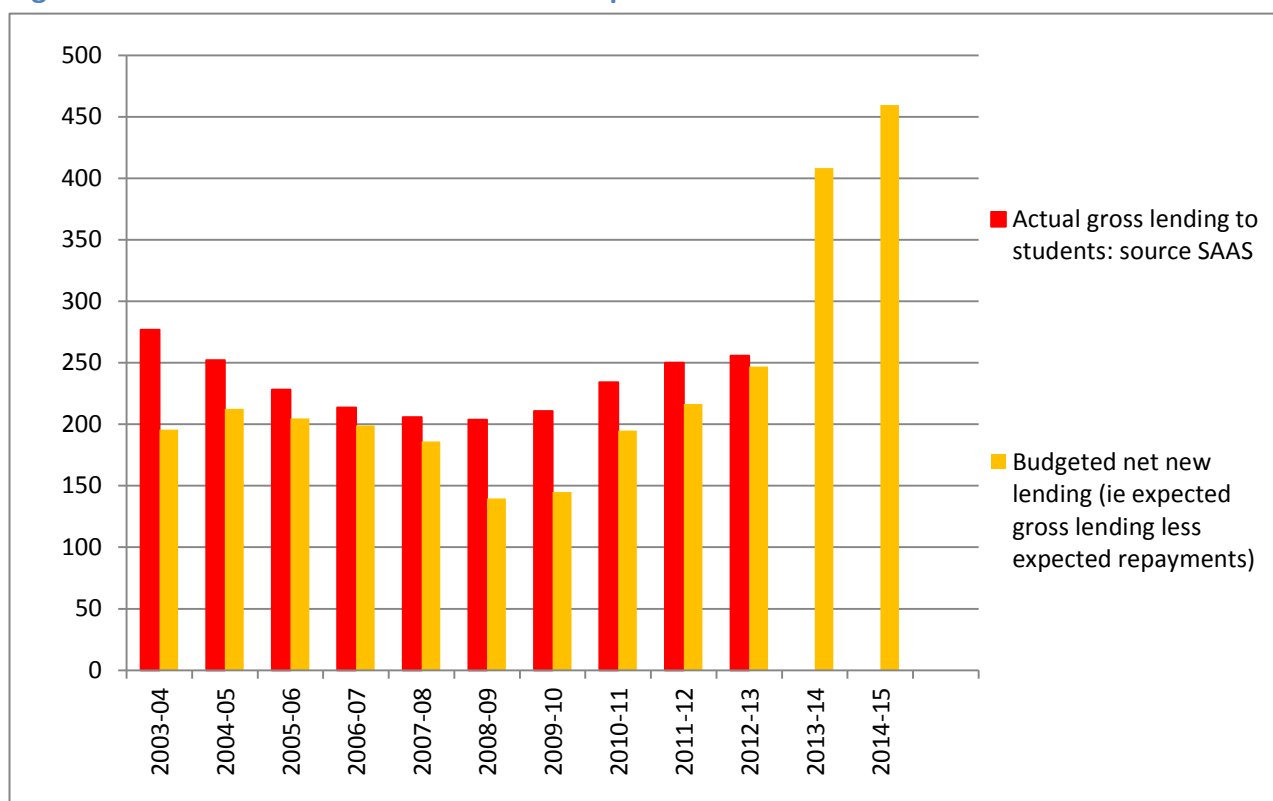
B: CHANGE IN THE USE OF STUDENT LOANS OVER THE LONG TERM

a. Actual and projected borrowing 2003-04 to 2015-16

Figure 16 shows how actual total student borrowing changed over the decade up to 2012-13 and the budgeted figures for net government lending up to 2014-15.

²² SLC 28 November 2013 as above.

Figure 17: Student loans in Scotland: 2013-14 prices



The fall in actual gross lending in the first few years is probably due to the phasing in of Young Student Bursary by entry cohort from 2001-02. The graduate endowment was abolished in 2007: this shows more clearly in the budget figures than in actual lending.

The rise in later years reflects the increased reliance on student loan to support living costs. Particularly influential will have been the decisions to hold Young Student Bursary at the same cash rate and on the same thresholds from 2010-11, and the abolition of travel grants in 2011-12. The number of students receiving support also rose over the period, largely in the later years, which will also account for some of the increase.

The budget for net new lending rises sharply in 2013-14, reflecting the change already described, and slightly further again in 2014-15, the first financial year in which the new system fully applies. By 2014-15, the budget for net new lending will be three times the lowest figure over the previous decade and almost double that in 2012-13. There is no obvious reason to expect a sudden large rise in receipts, so gross lending can be expected to rise at a similar rate. The budgeted figure for 2015-16 is the same in cash terms as on 2014-15.

Over the decade from 2006-07 to 2015-16, net new loans are planned to rise by around £250m at current prices, or by around 125%.

b. Policy drivers for increased debt in the decade to 2015-16

The increase in loans over the period to 2015-16 will have been driven by a combination of factors.

- The **reduction in grant** spending over the decade to 2015-16 can be estimated as the difference between actual spend on all non-repayable awards in 2006-07, which was £103m (£122m at 2013-14 prices) and the budgeted amount for the same spend in 2015-16. The

figure for that year is not available, but that for 2014-15 is £83m²³ (£78m at 2013-14 prices) which should be a reasonable as the combined line for fees or grants in the SAAS budget is flat between the two years. This would mean a reduction of **£44m** at current prices, or 36%²⁴.

- Some of the increase in lending reflects higher **lending for fees** to students, mainly those studying elsewhere in the UK. In 2012-13, total lending for fees was £20m, of which £15m was for students outside Scotland²⁵. Data from SAAS suggests that the figure for lending to students outside Scotland is likely to rise by around another £20m by 2015-16, so fee lending may by then account **for around £40m**, all of which is new since 2006-07.
- In 2006-07, £15m (£19m at current prices) of lending was used to pay for students' liabilities under the **graduate endowment**²⁶. Two-thirds of students used student loans to meet this cost²⁷. The graduate endowment was subsequently abolished, reducing the pressure for lending. Had the graduate endowment continued, its abolition would have had a larger effect by 2015-16, as student numbers have grown. Taking the growth in numbers studying for a first degree over the decade as a guide, and assuming that two-third of students continued to use loans for this, then the abolition of the endowment appears to likely to have reduced borrowing by **£21m**²⁸.
- **Growth in student numbers** will have driven some of the increase. Relevant student numbers are likely to have risen by around 10% over the period: that would account for around £25m of the increase.
- Improved **spending power**, including the extension of living cost loans to students previously ineligible such as postgraduates, should account for the balance, which is £162m.

The table below summarises the relative impact of the principal factors driving changes in total Scottish student loans over the period.

Table 1: Estimated impact on annual lending

<i>Change due to:</i>	£m	%
Reductions in grant	+44	+18
Lending for fees	+40	+16
Abolition of graduate endowment	-21	-8
Increased student numbers	+25	+10
Increased spending power	+162	+65
Total	250	100

²³ Response to Question S4W-19051 answered on 17 January 2014.

²⁴ For simplicity, this calculation assumes that the value of any grant available from sources other than SAAS has been broadly stable over the period.

²⁵ Total borrowing for cross-border fees in 2012-13 accounted for £15.5 m, contributing just under £200 to the overall average. See answer to Question S4W-18791 on 8 January 2014.

²⁶ The graduate endowment was a single-value payment for which certain students became liable at the end of their course. Liability could be met by taking out a student loan. It was abolished in 2007.

²⁷ *Financial Memorandum* to The Graduate Endowment Graduate Endowment Abolition (Scotland) Bill, Scottish Government, 22 October 2007. This forms part of the Explanatory Notes, available at <http://www.scottish.parliament.uk/parliamentarybusiness/Bills/16302.aspx>

²⁸ This is not the same as estimated total income from the endowment, which would be around £32m, including the estimated one-third paid in cash

These figures show the significant impact of the reliance on loans to raise the level of living cost support, which accounts for two-thirds of the increase. This is a consequence of the decision not to deploy any of the cash budget for this purpose.

Like grants, living cost support in general tends to be concentrated more on those from lower incomes. By contrast, the value of cash tuition fee support from SAAS tends to rise with household income²⁹. This is illustrated by the figure below, showing how spending from the SAAS cash budget (covering grants and tuition fees), was distributed by income and by type in 2012-13.

A significant amount of the cash investment in fees is spent higher up the income scale. This mainly reflects the distribution of the student population. Also, lower-income students tend to be disproportionately represented on HN-equivalent courses, for which a lower fee is payable by SAAS³⁰. This effect will be magnified by the higher per capita funding by the Scottish Funding Council for higher education in universities compared to colleges.

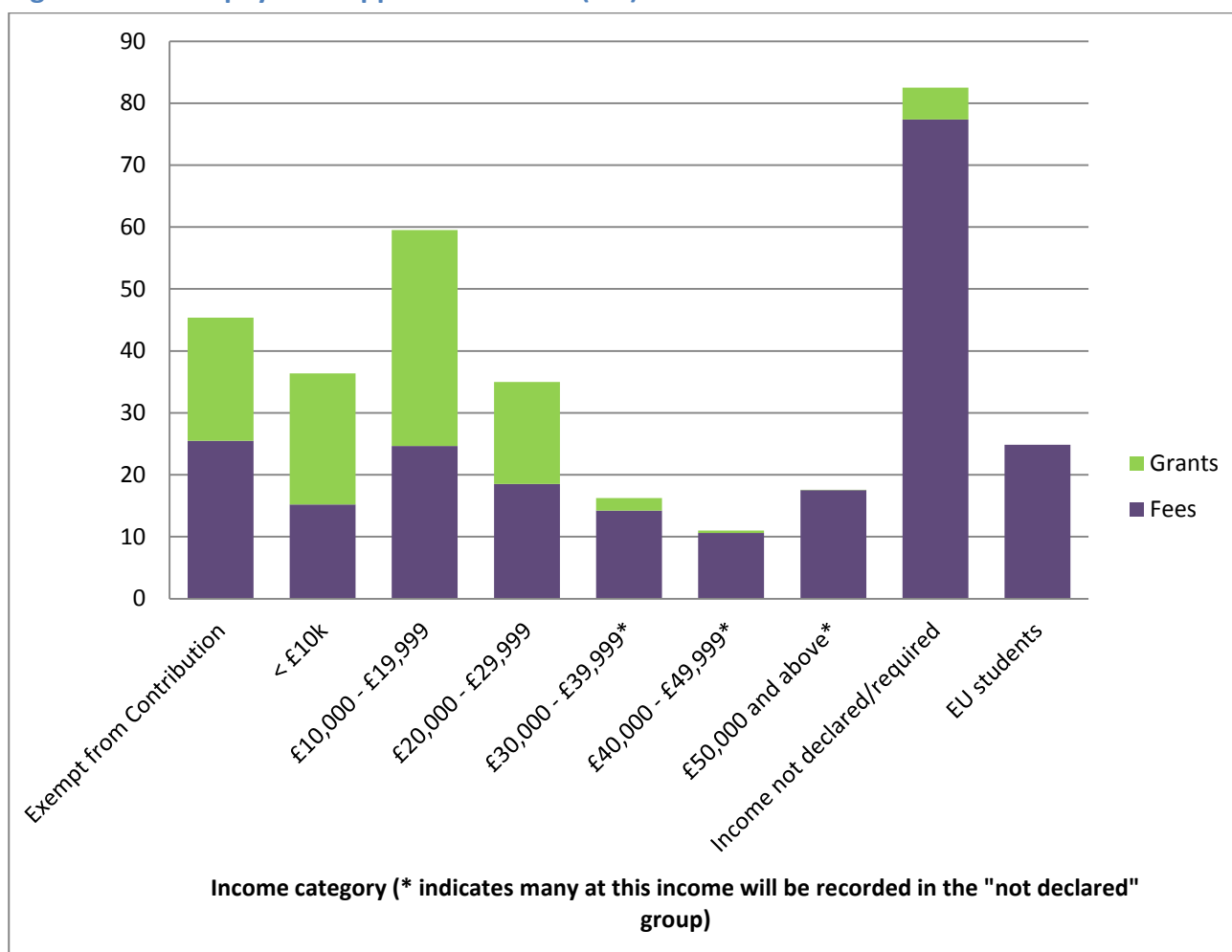
In the year shown, while 92% of spending on grants was spent on those assessed as having in effect nil income or a household income below £30,000, only 37% of spending on fees was on this group³¹.

²⁹ See table 12 in *Higher Education Student Support in Scotland, 2012-13*.

³⁰ Sub-degree courses attract £1285 rather than £1820.

³¹ Students at higher incomes are still able to claim Disabled Students' Allowance and there is a small number of students classified by SAAS for technical reasons in the "not declared" rather than "exempt" group who may be able to claim means-tested grant. The number in this group is not available for 2012-13 but in years when it has been made available it accounted for slightly under 5% of the "not declared" group.

Figure 18: Non-repayable support from SAAS (£m): 2012-13



Taken together these calculations show that over the decade up to 2015-16 the Scottish Government will have chosen to meet needs exhibited disproportionately by students from poorer backgrounds through increased use of loans. However, over the same period it has continued to cover the only item of expenditure falling disproportionately on students from better-off homes exclusively through non-repayable cash funding.

c. The net redistributive effect of graduate endowment abolition and grant reductions

Increases in debt to support spending may carry a long-term cost, but they also provide a short-term benefit.

Some policies however only change the pressure on students either to borrow more, or else find additional cash up-front, without altering how much they have to spend³². Such policies in Scotland over the decade to 2015-16 are the abolition of the graduate endowment and real-terms changes in grant values. These are mirror-image policies: reductions in the second will counteract the effect of the first. They ought to be examined together.

³² Abolishing the graduate endowment reduced how much students either had to borrow or find in cash: reducing grant has the opposite effect, increasing the amount students have to borrow or find in cash, to avoid a fall in their income. They are therefore like-for-like policies in effect.

Drawing on the table above it can be estimated that by 2015-16 the pressure on students in full-time higher education to borrow or find cash will have:

- decreased by around £32 million, i.e. the likely full annual value of the graduate endowment in 2015-16, had it still existed
- increased by around £44 million, which is the real terms value of the reduction in spending on all forms of grant by SAAS.

Grant reductions have therefore more than cancelled out the effect of abolishing the graduate endowment. Over the decade policy decisions in Scotland have increased the financial pressure on students in full-time higher education, by around £12 million a year.

The total increase is relatively small, working out at £100 per Scottish-domiciled student each year. The equivalent figure for England will be much higher: but in Wales the movement would be expected to be in the opposite direction.³³

However Scotland's low average increase conceals **a significant variation by income**, which is explored below.³⁴ The calculations can only be taken to 2014-15, as the detailed grant rates for 2015-16 are not yet known.³⁵

If grants and thresholds had been held at the same real terms value as in 2006-7, the maximum grant (available in 2006-07 for young students only) would now be worth just below £2,900 and available up to an income just over £21,000, with some grant available up to £37,000. In 2014-15, the actual maximum value of Young Student Bursary will be £1,714 at 2013-14 prices, up to incomes of £16,650, with some grant available up to £33,300 (thresholds again converted to current prices). If the graduate endowment had continued at the same real terms value, it would have stood at £2,700 in 2013-14 prices.

The calculations below compare the effect of real terms changes in the value of grant at different incomes between 2006-07 and 2014-15, with the effect of losing liability for the graduate endowment.³⁶

³³ There the average rise in fees has been around £4500 a year over the period, at current prices. An increase in overall grant spending will have accompanied this, but the financial pressure on students still seems likely to be at least £4000 a year higher over the period. For Wales however there is likely to have been a *decrease* in financial pressure over the same period. Liability for fees has been held steady in real terms while grants have increased significantly: the net effect of policies in Wales over the same period appears likely to be at least £500 *less* financial pressure per annum per student.

³⁴ The calculations below only take into account the main means-tested grants. They do not take into account the abolition of travel grants in 2011-12. These were worth around £20 million in their final year and their abolition will have been a significant factor in the shift from grant to loan funding. However, their distribution over the income scale is not published and they cannot be factored in here.

³⁵ Students studying outside Scotland were not liable for the graduate endowment and until 2013-14 were in a different grant scheme. The figures therefore apply only to Scottish students who study in Scotland, which has the advantage of concentrating on those students for whom the Scottish Government has had complete policy responsibility over the period.

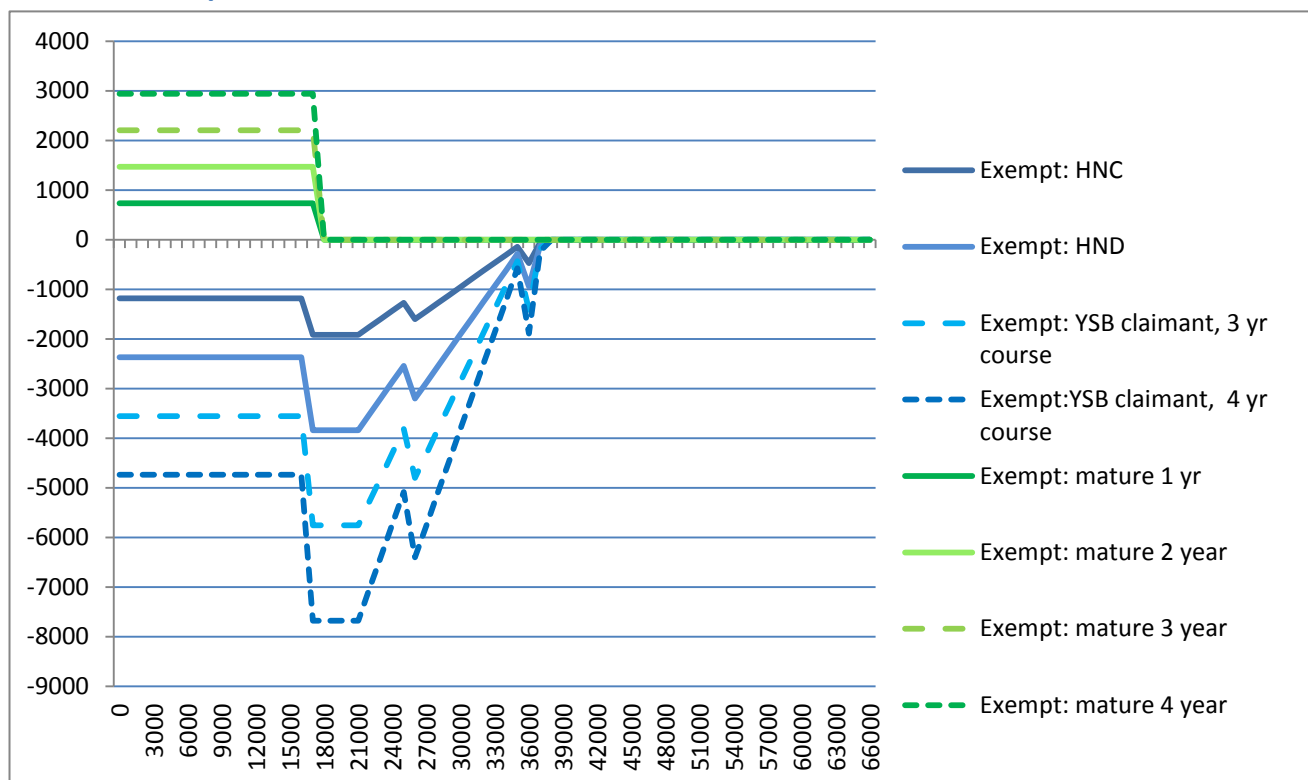
³⁶ Data on the detailed distribution of grant in 2006-07 is no longer published, but can be reconstructed sufficiently well for this purpose, based on maximum and minimum amounts and thresholds which are still available for that year here <http://www.scotland.gov.uk/Publications/2006/03/08094506/0>.

The graduate endowment was only payable by degree students. Those leaving with an HNC or HND, or equivalent, were exempt. Exemptions also applied for mature students, disabled students and lone parents, and certain students moving from an HN to a degree course. The total effect of these exemptions was to remove around 40% to 50% of students from liability.

The first figure below shows the net effect of grant and graduate endowment policy for exempt students, for whom effects have been entirely felt through changes to grant levels.

Policy has had a neutral effect on exempt students from at incomes of £37,000 and above, who did not qualify for grant in either year. These students are likely to have been a small proportion of the exempt group, given the nature of the exemptions.

Figure 19: Net gainers/losers 2006-07 to 2014-15: GE exempt group: HNC/D, mature, disabled, lone parents



For young students at lower incomes, the net effect of policy over the period has been a real-terms grant loss, generating a **higher total borrowing requirement** at current prices, of up to just under:

- £2,000 for HNC students
- £4,000 for HND students
- £6,000 for disabled students, lone parents and other exempt students studying for a three year degree
- £8,000 for disabled students, lone parents and other exempt students studying for a four year degree (just over £9,500 for a five year course: not shown).

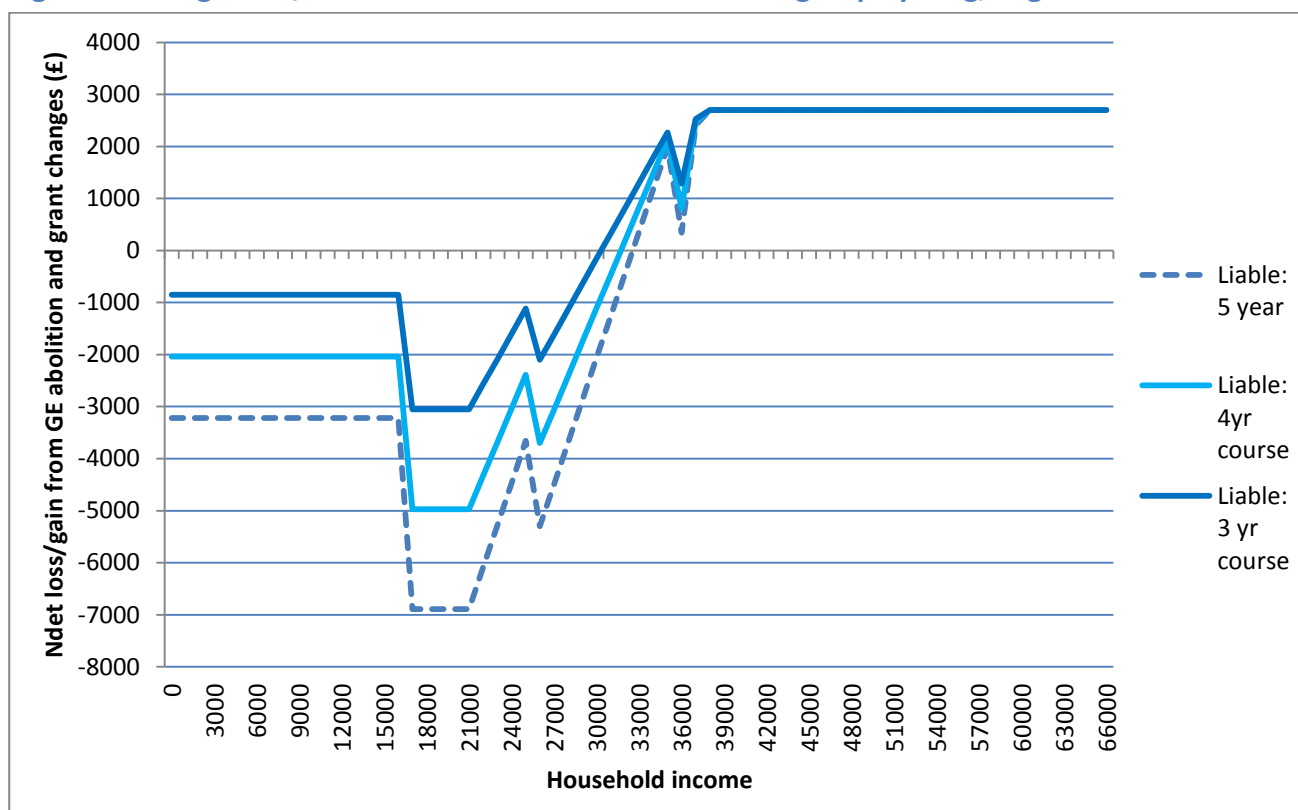
The largest losers are those caught by a combination of grant reduction and the tighter income thresholds for grant. The income at which the maximum rate of grant is available will have fallen by 20% in real terms over the period.

For mature students at lower incomes, the net effect has been a grant gain/**lower borrowing requirement** of £735 per year of study, worth almost £3,000 over 4 years. A grant for this group was introduced in 2010-11. It was provided at its initial rate for three years, but was then scaled back significantly and comparison over the period therefore can only reflect the lower rate applying in 2013-14.

The calculation for mature students assumes that the introduction of the national grant has not been accompanied by any reduction in the investment in support which was separately provided to this group through locally-disbursed childcare grant up to that point, which had in turn replaced the locally-administered Mature Students Bursary Fund, introduced in parallel with the Young Student Bursary in 2001-02. Figures for total spending on childcare grant for all students in higher education are no longer published³⁷. These gains can therefore only be securely attributed to mature students without childcare responsibilities and more tentatively to those with children.

Figure 20 shows the net effect of policy for students who were liable for the graduate endowment. These were all by definition young degree students.

Figure 20: Net gainers/losers 2006-07 to 2014-15: GE liable group: young, degree



For students in the categories liable for the endowment, the net effect of policy over the period has been:

³⁷ From 2011-12, the figures published by SAAS only cover childcare grant spending in higher education institutions and exclude students in further education colleges, who are likely to represent a significant part of the relevant population. In 2006-07 £3.8m (at 2013-14 prices) was spent on the higher education childcare fund. In 2012-13, £4 million (in 2012-13 prices) of the SFC budget was identified as being for funding childcare for higher education students previously covered by the SAAS budget, indicating real terms growth up to that year. It is not clear however how far spending on this is likely to be affected by general reductions applied to college budgets from 2013-14.

- at lower incomes, a total grant loss/higher borrowing requirement of up to around:
 - 3,000 for 3 years' study
 - £5,000 for 4 years' study
 - £7,000 for 5 years' study.
- at incomes between £31,000 and £33,000, depending on course length, students will have begun to see a net benefit .
- the pattern of gain has been erratic at incomes from here up to £37, 000, due to a fall in the real-terms value of the upper grant threshold, causing mid-£30,000 income students to fall out of the grant system over the period.
- **at incomes of £37,000 and above, a flat-rate gain of £2,700** i.e. the graduate endowment at its current real terms value. This group has been unaffected by grant reductions.

Between 2006-07 and 2014-15, a clear pattern therefore emerges of a resource transfer within the support arrangements for full-time higher education students:

- **from** young students from households with incomes below £30,000, including those on sub-degree courses
- **to** young students studying full-time for a degree from households with incomes above **£37,000**; to a lesser extent, to mature students without children; and possibly also to mature students with children, as long as their separate childcare funding has sustained its value.

Gains and losses in the £30,000 to £40,000 group appear likely to cancel each other out.

The value of this transfer seems likely to be at least £20 million a year³⁸.

It can therefore be estimated that over the period from 2006-07, the overall distributional effect of the abolition of the graduate endowment and other policies with an equal and opposite effect, has been to:

- save the government cash budget around £12 million a year³⁹
- reduce the pressure to borrow or find extra cash on students from homes with incomes over £37,000 by at least £20m a year
- increase these pressures for the remaining students, particularly young students from poorer backgrounds, by at least £32 million a year.⁴⁰

³⁸ The notes to the bill abolishing the graduate endowment stated that around 11,500 students were estimated to be liable in 2006-07 to pay the endowment: the size of that group should have risen roughly in line with the growth in number receiving full time fee support over the period, which is 10%. Extrapolating from the numbers receiving grant, around half of all HE students can be estimated to come from households with incomes below £37,000. As these will be disproportionately found in GE exempt categories (e.g. HN and mature) the liable group will be weighted more towards higher-income students. The figure here is based on a minimum estimate of 60% of young degree students coming from £37,000 plus backgrounds, applied to 110% of 11,500 and multiplied by £2700.

³⁹ As above. The saving to government will have carried a cost in loans. However, the very large amount of ring-fenced Barnett consequential flowing to Scotland since 2012, which can only be used to support student loans, means that this cost can be met and absorbed with no sacrifice of any other form of spending.

⁴⁰ The previous two items added together, or the reduction in total spend on grant (£44m) less the remaining one-third of the income from the graduate endowment (c£11m).

A similar calculation for England would bring together the effect of raising the fee cap from £3000 to £9000 in 2012-13 and increases in grants. It would be expected to show a much larger upfront saving to government, but with the cost of that borne more heavily by high-income than low-income students. In Wales, the same comparison would show no real-terms change in fee costs to students over the period, but an increase in grants. The pattern would therefore be of a *cost* to government, with no change for the better-off and *savings* for those from poorer backgrounds⁴¹.

d. Perception and presentation

There has been curiously little controversy about this transfer of funding from the poorer to the better off, the loss from the cash budget for student support or the skewing of debt towards those from lower-income homes, although these sit at odds with most statements made about student support policy in Scotland in recent years.

The main policy decisions which have led to this redistribution – the abolition of the graduate endowment and the changes introduced in 2013-14 – continue to be cited as examples of Scotland's more progressive attitude to student finance. The Scottish Government is supported in this by influential groups, such as NUS Scotland and the University and College Union, and often by media commentators. Typical recent examples include:

*"Access to higher education will be based on ability, not wealth; this Government will protect free tuition fees for Scottish students and continue to provide appropriate support for living costs ... Free education for those able to benefit from it is a core part of Scotland's educational tradition and the values that underpin our educational system. One of the major achievements of devolved government in Scotland has been to restore this right to Scottish domiciled undergraduate students."*⁴²

"UCU believes that higher education in Scotland should continue to be free at the point of entry and opposes undergraduate tuition fees. Intellectual ability, not family background and income should determine participation, and that is why we oppose an undergraduate student contribution. It is right that students who benefit from higher-than-average incomes should pay something back – but they should do so through progressive income tax ... We commend the Scottish Government on increasing the level of support and ensuring all students will have access to some form of maintenance"⁴³. It has been a concern that some students are not able to access support if they are estranged from parents and the new support scheme is ahead of the rest of the UK in addressing this issue⁴⁴. This student support

⁴¹ These calculations relate only to policy change. They do not include the cost to government of maintaining policies of free or significantly subsidised tuition in Scotland, Wales and Northern Ireland.

⁴² Chapter 5 Education, Skills and Development in *Scotland's Future*, Scottish Government 26 November 2013 <http://www.scotland.gov.uk/Publications/2013/11/9348/0>

⁴³ The Scottish Government already provided some form of maintenance to all students. However, before 2013-14, its minimum loan was £940, significantly below the minimum already offered in other parts of the UK.

⁴⁴ Estranged students in all parts of the UK are entitled to apply for assessment as independent students and not be assessed on their parents' income, although the process has sometimes been criticised as too inflexible. This is presumably therefore a reference to the new higher minimum loan in Scotland from 2013-14, which in that year became worth between £650 and £1000 more than in other parts of the UK, providing some additional benefit for those

package should be maintained to ensure that all those that can benefit from higher education are able to do so.”⁴⁵

It has not helped that the exact nature and scale of the resource transfer which has taken place from less well-off to richer households, the scale of recent grant reductions and the skewing of future loan repayment are all difficult to identify from published statements and figures. Official announcements since August 2012 have not acknowledged the fact of grant reductions. There is no published information on the scale and distribution of losses due to these. Scrutiny in the Scottish Parliament of government budget proposals for 2013-14 and 2014-15 has not been effective in drawing out such figures.

Indeed, a statutory report on widening access laid in front of the Scottish Parliament by the Scottish Government in April 2013⁴⁶ stated that:

“Recognition of the impact that debt and fear of debt have on young people entering HE is why this Government has taken a number of actions to tackle the issue of student debt. As well as abolishing the Graduate Endowment Fee, the Scottish Government introduced a number of new funding packages and made changes to support systems to assist students from 2008.”

Among these changes it lists the new arrangements for student support in 2013-14, without reference to the large reduction in grants which formed part of the package and the associated increase in debt at lower incomes. It is a striking omission in a report whose theme is the situation, especially the debt situation, of students from disadvantaged backgrounds.

The report does however helpfully provide some further information on the distributional impact of the abolition of the graduate endowment, identifying that:

“in 2011-12, 60.5% of full-time first degree students from Scotland’s 20% most deprived areas who were in the first year of a course would have had to pay the graduate endowment fee if and when they completed their course. This compares with 73.7% of such students from non-deprived areas in Scotland.”

Reinforcing the analysis above, this provides evidence that a higher proportion of degree students from most deprived areas (40% as against 26%) saw no advantage from the abolition of the endowment, because they were already exempt⁴⁷.

unsuccessful in making a formal application to be treated as estranged, but whose parents still do not co-operate with mean-testing.

⁴⁵ University and College Union, *Manifesto for Scotland’s Referendum*, 17 October 2013 available at <http://www.ucu.org.uk/6797>

⁴⁶ *Graduate Endowment Abolition (Scotland) Act 2008 Fifth Annual Widening Access Report – 2013/14* laid before the Scottish Parliament by the Scottish Ministers April 2013 SG/2013/10. This report was published with no press notice and does not appear to have been reported anywhere at the time of publication. It can be found at <http://www.scotland.gov.uk/Topics/Statistics/Browse/Lifelong-learning/WideAccess09>.

⁴⁷ There is also evidence that young *non-degree* students, who were exempt from the endowment, are disproportionately likely to have been affected by grant cuts. In 2012-13, students in colleges, who correlate closely with those on sub-degree courses, represented only 25% of the SAAS caseload, but accounted for 33% of recipients of the YSB at its maximum rate (and 31% of all YSB claimants). Other recent research has confirmed that students on sub-degree courses are more likely to come from disadvantaged backgrounds.

Interestingly, the report also drew to the attention of the Parliament that:

“In 2000, the average student loan debt was £2,620; by 2006 this had increased to £6,300, then dropped to £5,940 in 2010. The latest statistics show that average debt for students who had just entered repayment in 2011 was £5,980 and the provisional figure for students who have just entered repayment in 2012 is slightly higher at £6,480. The increase in student debt since 2010 can be partly explained by Scottish students who took up fee loans to study in the rest of UK in 2006-07 or later and then entered repayment in 2010⁴⁸.”

The figures quoted here all relate to total debt at the end of study, with the latest figure relating to those who finished their course in the year prior to April 2012. The report does not explain that the equivalent figures for students leaving in later years will be significantly higher, due to changes to student support affecting later cohorts of students.

The more recent version of the same figure, covering those who completed in the year prior to April 2013, was quoted in a parliamentary debate on 8 January 2014:

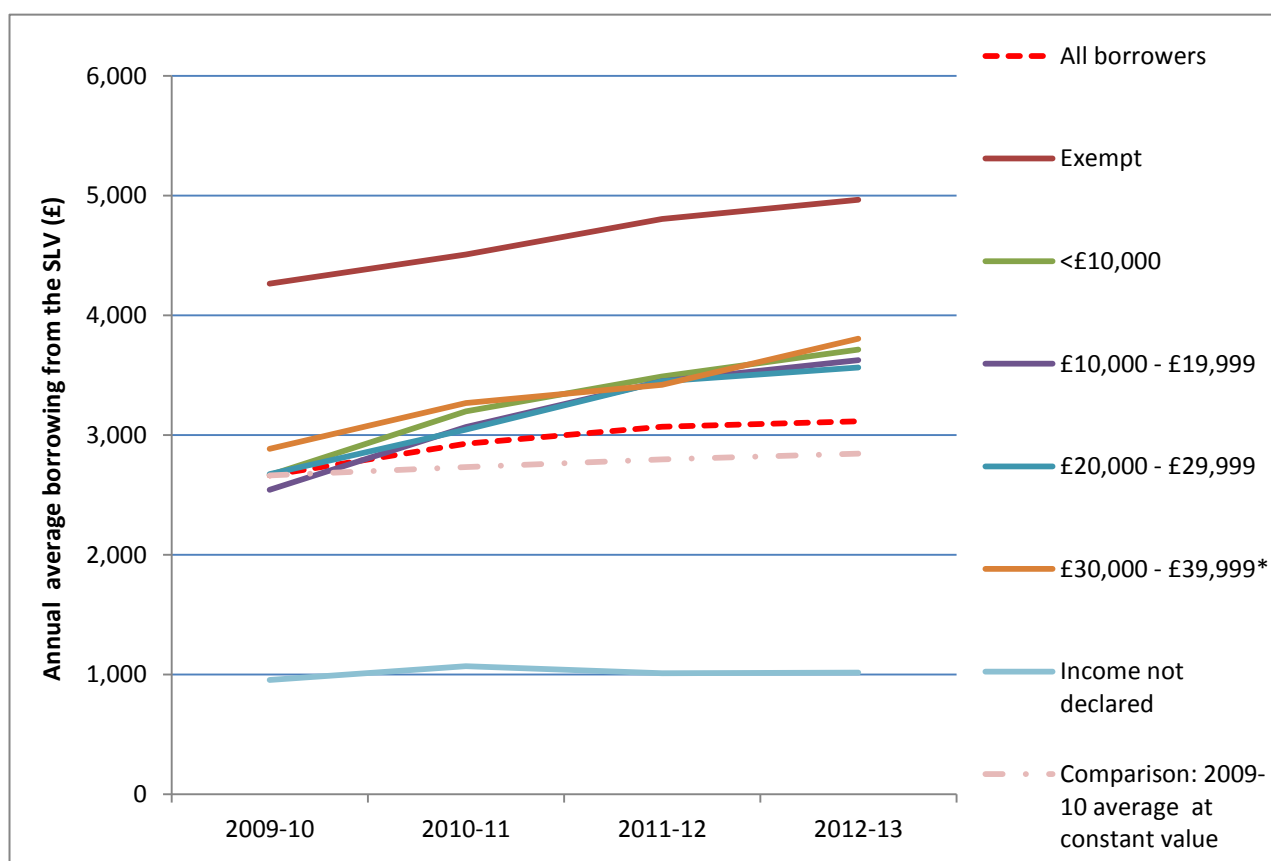
“It is absolutely clear that, if we look across these islands, Scottish students have a great advantage, as debt levels have soared elsewhere. That has happened because of a policy that the UK Government has pursued – a policy that is based on a report that the Labour Party commissioned and which it has continued to support. Student debt levels are soaring. I will give members the figures. Student Loans Company figures that were published in 2013 show that the average student loan debt for Scottish students is £6,850. In Wales, it is £14,910 and in England it is £18,740. Those figures tell members the truth: higher education in other parts of these islands is being monetarised. It will not be monetarised in Scotland.”

These figures conceal that in Scotland the average significantly understates total borrowing for those at lower incomes and that borrowing in general has been growing in recent years. By 2012-13, average *annual* borrowing for Scottish-domiciled students still at university or college was £3,115: for “nil income” students it was £4,965. The figure below illustrates how the average amount borrowed has increased in recent years and how, in particular, borrowing for poorer students has increased relative to the average⁴⁹.

⁴⁸ Total borrowing for cross-border fees for students who entered higher education after 2006-07, appears to have contributed around £200 to the overall average, based on the total reported annual borrowing for fee loans from SAAS from 2006-07 onwards.

⁴⁹ Figures by income band are only available since 2009-10. The figures for those between £30,000 and £40,000 are included here, as the pattern of borrowing for those in this income range who do choose to take out a means-tested loan is identical to that of students at lower incomes.

Figure 21: Average annual borrowing from the SLV by Scottish-domiciled students by recorded household income 2009-10 to 2012-13 (cash figures)



These figures pre-date the substantial additional borrowing which will result from the changes introduced in 2013-14. **Once the new system is fully phased in, the average figure for final actual borrowing for Scottish low-income students who study for a degree could easily exceed £20,000. Meantime, many Scottish students from the most well-off homes will probably continue to leave university with no debt at all.**

Historic final debt figures give only a partial picture and their presentation in this way does not properly reflect the effects of recent policy-making, particularly for those from disadvantaged backgrounds⁵⁰.

There have been attempts in the Scottish Parliament to draw attention to the effect of grant reductions on the overall debt levels of poorer students. In particular, on 5 June 2013, the Scottish Parliament debated the following opposition motion:

“That the Parliament notes the introduction of the minimum income guarantee for students; notes that grants for lower-income students are being cut; believes that lower-income students are being financially disadvantaged in Scotland compared to elsewhere in the UK; does not accept that lower-income students should be disadvantaged in order to provide support for those from better-off households, and believes that the cuts to grants for lower-

⁵⁰ Historic final debt has also been recently quoted in response to a recent parliamentary question and in ministerial newspaper correspondence: see The Scotsman, Letters, 26 November.
<http://www.scotsman.com/news/opinion/letters/student-debt-1-3208191> and response to PQ S4W-17799 on 8 November 2013.

income students should be reversed in order to address inequality in access to higher education in Scotland.”

In response, the Cabinet Secretary Michael Russell defended the government position robustly. His contribution deserves quoting at length. He said:

“I will quote again what the NUS rightly said, which was that we have produced the ‘best support package’ available anywhere in the UK ...

The reality is that all the rhetoric from Labour is about imposing student fees, but it has not got the guts to say so. That is the reality of where we have been for the past year.

Free education is central to my vision of the Scotland that we should have and, indeed, to the vision of Scotland that most people in Scotland share. It is also central to the NUS’s vision of the country that it wants to live in ...

The NUS said, after we had been talking about student support and student finance over a long period, that it wanted to ensure that there was ‘money in student pockets’. That is what the NUS wanted to see. We worked hard with the NUS, to adjust the amount of money that was available to support bursaries⁵¹, so that we could make the maximum amount available to students⁵². In that way, we have been able to produce the minimum student income ...

Let us look at student debt figures, which are crucial. The UK graduates survey in 2012 showed clearly that the average student loan debt for Scottish students at that stage was £6,480, compared with £17,140 in England and £13,650 in Wales—that is without student fees⁵³ ...

It is now estimated that the English and Welsh⁵⁴ figures could climb to £50,000. That is the reality of the debate that we are having. That is what Labour wants. There is to be that massive increase, but it is all cloaked in the language that we heard ...

We must ensure that we widen access. We know from every survey that has taken place that what puts students off is the prospect of fees⁵⁵. The motion has nothing to commend it at all,

⁵¹ This was the only acknowledgement by government during the debate that student grant levels had been affected by recent changes and remains the only official acknowledgement since August 2012.

⁵² This suggests that reducing bursaries was necessary to increase students’ total income through additional loan. However, the scale of student loan funding being made available under the Barnett formula has been so substantial that it is not clear why there should be any need for cash to be given up to produce more loan (as it had sometimes been prior to 2012). If however grant has indeed been given up to generate more loan, then the decision to increase the minimum loan at higher incomes would become relevant to an assessment of the redistribution from poorer to richer students.

⁵³ The figures for other parts of the UK do include fees, which for the cohort in question were capped at around £3,500 a year in all other parts of the UK. For Wales and Northern Ireland, they remain at this level. The problems associated with using these historic debt figures for Scotland are discussed above.

⁵⁴ As shown above, the Welsh system will in future produce debt figures much lower than those in England and within a similar range as those which can be predicted for Scotland. There is no obvious reason why the average figures for Wales should rise significantly.

⁵⁵ But we also know that such survey responses are not consistently borne out by how students behave in practice. See for example, *Reforms to tuition fees and student support had no overall impact on the number of 18 or 19 year olds*

except Labour's oppositionism. What we need to commend is the commitment to free education that the Parliament has shown. We need to ensure that we continue to deliver free education, because that is the only way—along with the legislation⁵⁶ that we have—that we will genuinely widen access ...

Let us look at the truth. In Scotland we provide the best package of student support that is available anywhere in the UK. That is something of which we should be justifiably proud, and which is supported by students and universities. Only Labour and perhaps other parties are against the expansion of higher education that we have undertaken.

I move amendment S4M-06843.2, to leave out from first 'notes' to end and insert:

'believes that access to university should be based on ability to learn, not ability to pay⁵⁷; further believes that neither upfront nor backdoor tuition fees have any place in Scotland; welcomes the removal of tuition fees, saving around 125,000 students up to £27,000 compared with England; further welcomes the introduction of the minimum income guarantee to give the poorest students a minimum income of £7,250 per year in maintenance support from 2013-14 and the increase in the minimum level of student loan to £4,500 a year for every eligible student, and agrees with comments by the National Union of Students Scotland that Scotland has 'the best support package in the whole of the UK'.

.....

Politics always eventually comes down to the argument that some things are simple common sense.

Simple common sense says that transferring the burden of funding of higher education from the state to the student will massively increase the student's debt and change the way in which society views education⁵⁸. Education will be seen as a private good and not as a societal benefit.

One does not bring in tuition fees that cost thousands of pounds while arguing, as Labour has done, for a £900 bursary increase. That is either economic illiteracy or gross hypocrisy, and I leave it to members to decide which it is, because that is the thesis that Labour has presented

attending university in England, Institute of Fiscal Studies, January 2010: <http://www.ifs.org.uk/publications/4726>. Also, UCAS's analysis of the most recent data on applications and acceptances across the UK in 2013-14 *Record number of applicants accepted into UK higher education*, as above, and its analysis of 2014-15 applications, in which applications from disadvantaged students had roughly doubled in both England and Scotland over the past decade, with Scotland having a slightly larger percentage increased over the period (108% vs 94%) but still a significantly lower absolute percentage of disadvantaged students applying for direct entry into the first year of a university course through UCAS (15% vs 21%). <http://www.ucas.com/news-events/news/2014/uk-application-rates-country-region-sex-age-and-background-2014-cycle-january>

⁵⁶ The Post-16 Education Act 2013 <http://www.legislation.gov.uk/asp/2013/12/contents/enacted>

⁵⁷ The irrelevance of "ability to pay" to any fee regime now in place in the UK, and its common relevance to all living cost support, is discussed at page 9 above.

⁵⁸ As discussed above, this argument relies on no similar problem being seen with the transfer of responsibility for funding living costs from the state to students from low-income backgrounds.

today⁵⁹. If we look at what happened when Labour was previously in power in Scotland, we see the reality. Student debt rose at that time—indeed, it rose by £26 million—because of the imposition of the graduate endowment⁶⁰. I suppose that we should say, ‘By their works shall ye know them’. In reality, Labour’s time in office resulted in an increase in student debt, including debt for the poorest

Debt is rising, undoubtedly⁶¹, and will be higher for students, but it will be massively higher south of the border under the system that his Government has actively supported. Debt there will be massively higher because of the cost of tuition fees⁶².... By their works shall ye know them. If debt discourages in that way, the system south of the border is a disaster⁶³. Please do not support any party that will destroy Scottish higher education, because that is what will happen.”

Many of the challenges of seeking an evidence-led debate about student support in Scotland are well-illustrated here.

Particularly striking is the attachment to a binary choice between the Scottish and English approaches and a failure to recognise the existence of other models in the UK, which limit debt within a similar range to Scotland, but distribute it more progressively.

Crucially, in arguing so strongly that any bid to restore grants must conceal an intention to charge fees, the Scottish Government reveals an “either/or” assumption in its own thinking, strongly suggesting that it is fully cognisant that in order to avoid charging fees it has cut grants.

e. The rocks versus the sun: the distributional effect of prioritising fees over grants

The distributional effect of making a choice to protect fees but not grants is clearly illustrated in the final figure below.

Since 2009-10, the Scottish Government has published data on student support spending broken down by income category, allowing the change in value of spending in each recorded category over

⁵⁹ Interestingly, no opposition speaker argued for introducing fees. The quid-pro-quo connection between grants and fees was introduced into the debate only by speakers on the government side.

⁶⁰ See above pp46-50: subsequent grant reductions have more than off-set the effect of abolishing the graduate endowment, and redistributed debt further down the income scale, while as set out above student loans will have risen by £250m in the period between 2006-07 and 2015-16.

⁶¹ This appears to be the first official acknowledgement by the Scottish Government that student debt would be rising.

⁶² As noted above, overall debt will be significantly higher in England, but not in the lower-fee regimes in Wales and Northern Ireland.

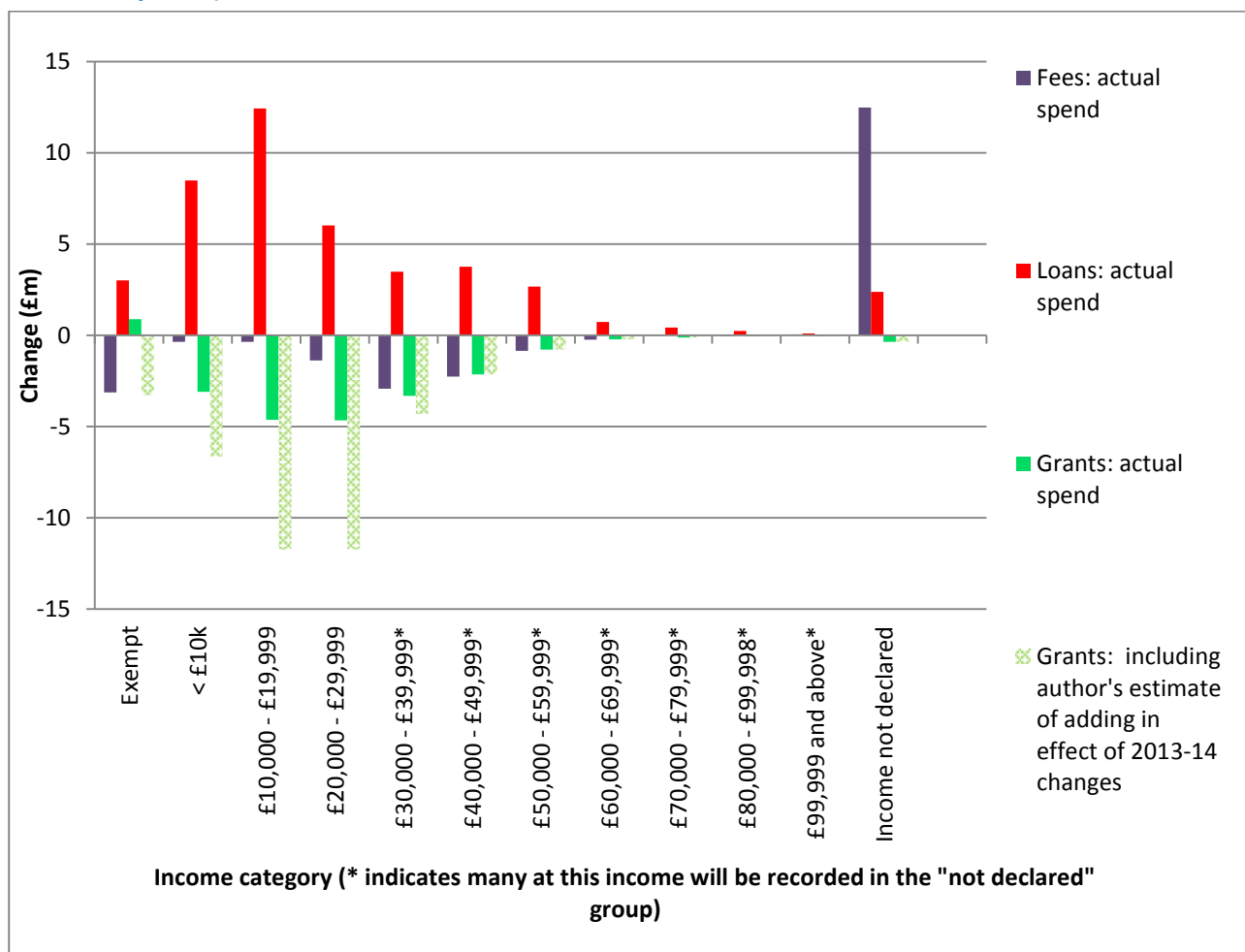
⁶³ See note above for references to latest UCAS data, which shows rising trends in applications across the UK. The Scottish Government comment on this later information has been limited to: “the contrast with England – where application numbers still have not returned to pre-tuition fee levels – is stark.” Scottish Government News Release 31 January 2014 <http://news.scotland.gov.uk/News/Record-number-apply-to-university-8d8.aspx> The application rate for 18-year olds in England for 2014 is however the highest it has ever been (34.8%), considerably higher than when tuition fees were first introduced in 1999, and compared to 2005(28.3%), just before they were raised to £3000 and even compared to 2011 (34.2%) just before the 2012 increase. The Scottish Government comment is probably based on comparing the actual number of applicants in 2014 and 2011. This however overlooks that (a) fees predate 2012 (b) the total numbers of 18 year olds in England is falling (by around 2% between 2011 and 2014) and (c) the 2011 figures were boosted by fewer students deciding to delay entry. England has seen a relative decline in older applicants compared to Scotland, but even in that case UCAS records that “the application rates of all the older age groups have increased from 2013, are slightly lower than 2010 and 2011, but higher than all other cycles”.

the four year period to be charted. Also sketched in here is the likely effect of the grant reductions being made in 2013-14, to bring out the scale of these changes relative to those in the preceding few years⁶⁴.

Grant reductions prior to 2013-14 were driven partly by a freeze in grant values and thresholds, but mainly by the abolition of travel grants.

Change in fee spending largely follows changes in student numbers. Over this period there was a reduction of around 9% in those claiming fee support in the nil income group and a rise of 3% in the numbers claiming fees either declaring an income over £30,000 or not declaring their income (excluding a separate rise in EU students). It is not clear whether there has been a real shift in the numbers of students claiming fee support away from poorer to better-off, or a technical change of some sort in the way the figures are recorded. It is a surprising result given recent initiatives on widening access and at least merits some further attention.

Figure 22: Change in SAAS spending on support by type and income: 2009-10 to 2012-13 (constant prices)



⁶⁴ Change in fee spending largely follows changes in student numbers. Around two-thirds of the change for the “not declared” group is likely to be due to increased EU student numbers and a reduction in the number of students between £30,000 and £50,000 choosing to declare their income. For the “exempt” group it is not clear whether there has been a real drop in the numbers in the category claiming fee support, or a technical change of some sort. Grant reductions prior to 2013-14 were driven partly by a freeze in grant value, but mainly by the abortion of travel grants.

Figure 22 demonstrates how the balance of cash spending by SAAS was already shifting away from poorer students, even before the 2013-14 changes, and how increased debt was already being concentrated on this group.

The next run of these figures, which will give the first indications of how the 2013-14 changes have affected borrowing and grant spending, particularly at lower incomes, will be available in October 2014. They will be worth close attention.

CONCLUSION

- In proportion to its currency in public debate, student finance may be one of the least well-understood and most mis-described aspects of government policy in Scotland. In absolute terms, over time and relative to other parts of the UK the Scottish system does not have the egalitarian, progressive effects commonly claimed for it.
- In 2014-15, the Scottish system taken as a whole will not stand out among the UK jurisdictions. For spending power, it will remain an unexceptional, if improved, performer for the students generally acknowledged to require most help. For debt, it will compare favourably with England, but so will the low fee/high grant systems in Wales and Northern Ireland, with some low-income students having less debt if they come from the other devolved jurisdictions. This will be particularly true for mature students. The debt benefits of the Scottish system disappear for those who wish to study outside Scotland, who become among the most indebted anywhere in the UK, particularly at low incomes. There is only one significant group for which it is clearly accurate to describe the Scottish system as the best in the UK, which is the most well off, provided they study in-country.
- In particular, Scotland will be unique in the UK in assigning the highest levels of student debt to those from the poorest backgrounds, which can be predicted to have a long-term regressive effect on the distribution of wealth, once these students enter the labour market and are subject to a higher de facto graduate tax than their peers who started from wealthier homes.
- Over the period from 2006-07 to 2014-15, the total amount of student debt taken out each year is projected roughly to double. The net effect of the abolition of the graduate endowment and reductions in the value of grants over this period will be a transfer of resources from young low income students in all forms of higher education to young students from high income homes studying for a degree, with mature students probably seeing smaller gains. The prioritisation of fees over living costs for cash support has generally been helpful to those at higher incomes, and to the detriment of those at lower ones.
- It remains to be seen whether calculations such as the ones above have a place in shaping perceptions of policy in Scotland. They have to date carried little weight against a widely promulgated and sometimes emotive government rhetoric, echoed by many outside government and often quoted without challenge in the UK and Scottish media. Making a point about the difference in fee policy with England often seems to be all that matters.
- Governments will continue to face difficult choices about resource distribution and where to invest. Under no scenario being proposed for the future does the abolition of student loans for living costs appear to be in prospect. While the recently-published White Paper on Scottish independence included a commitment to continuing free tuition it was silent on the issues of student loans and student grants, neither mentioning nor costing any change in approach to these.
- Scottish voters, students and prospective students need those who comment on student funding, whether those who defend the existing system and are resistant to any discussion of proposed changes or those who report the debate, to understand how the present

system actually works and to describe it, and any systems with which it is being contrasted , accurately. Too often, the public is being poorly served in this respect.

- Even leaving aside any debate about how investment should be decided *between* higher education and other activities, in recent years the better-off have been the unarguable but unacknowledged beneficiaries of the way student support policy for those in full-time higher education has been debated, described and formulated in Scotland. Whether that continues to be the case will be a test of the ability of those engaged with policy formation and debate in Scotland to absorb information which contradicts commonly-held beliefs and of the readiness of the political system in Scotland to tackle entrenched advantage.

End Note

All the townspeople said, "Oh, how splendid the Emperor's new clothes are! Don't they suit him perfectly? And look at his magnificent cloak!" Everyone pretended to see what was not there, because they were afraid others would think that they did not deserve their job or that they would look foolish. Never before had one of the Emperor's outfits been greeted with such enthusiasm.

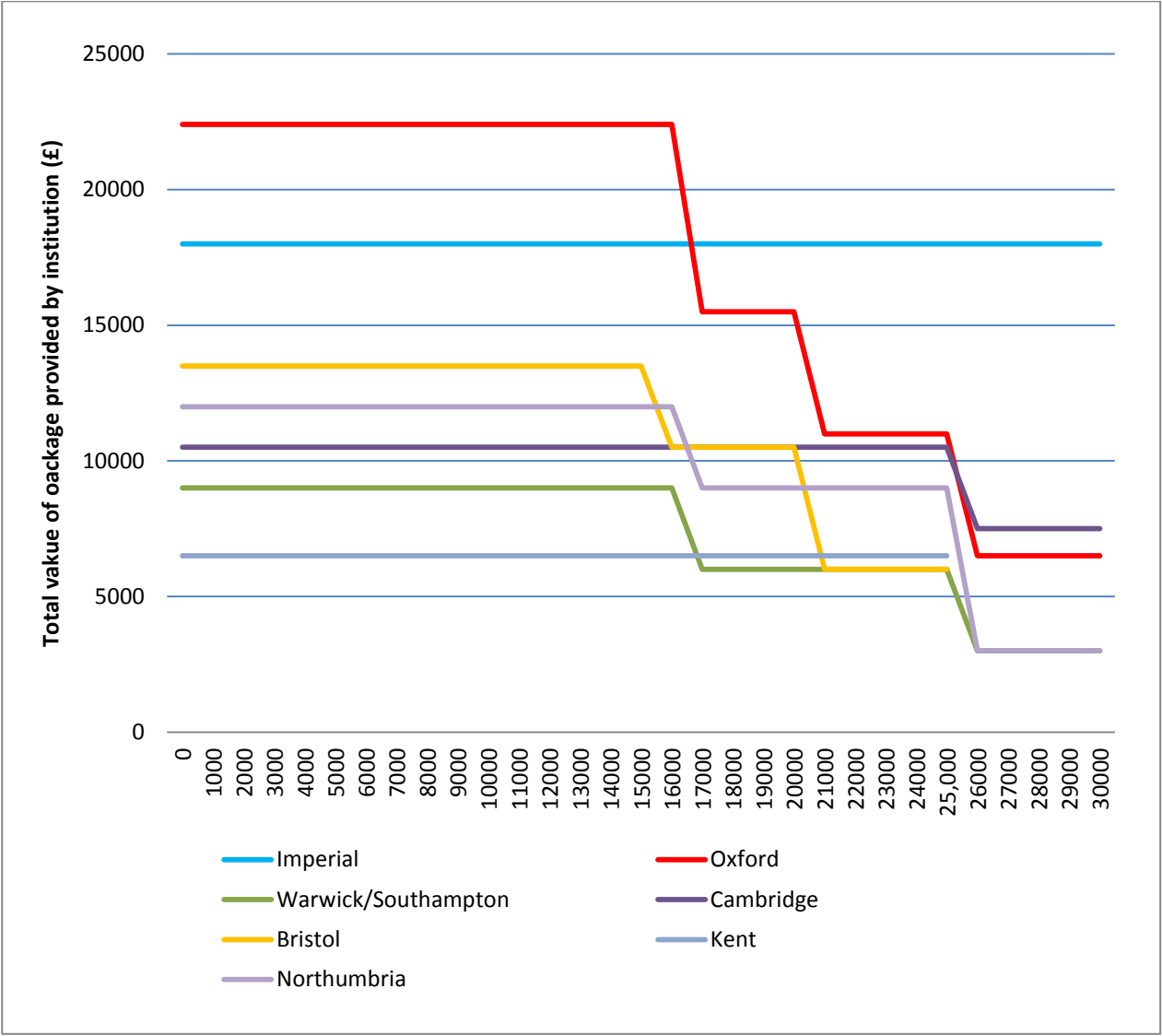
The evidence gathered here and the arguments drawn from it may be uncomfortable and counter-intuitive for some readers. At a time when Scotland is often asked to look to Scandinavia, Hans Christian Andersen provides a useful tale. In his story, of course, the townspeople eventually allow themselves to admit the true position. In Scotland, where the most advantaged sections of society are currently sitting very comfortably, it is harder to predict how the story will unfold.

Annex A

INSTITUTIONAL BURSARIES AND FEE WAIVERS IN ENGLAND

1. Under the 2012 reforms in England, a substantial element of student support is provided through a system of fee waivers and additional bursaries provided by individual institutions. Institutions set the detailed terms for these, subject to approval by the Office of Fair Access (OFFA).
2. An element of the funding for these schemes was initially provided by central government through the National Scholarship Programme. In November 2013, the UK Government announced that this scheme would be wound up more quickly than originally planned, with the 2014-15 being the final year, in which funding would be one-third of the original amount announced for that year.
3. This has led to reductions in the packages offered by a number of institutions. Those likely to be affected most will be those charging lower fees, or which otherwise have limited capacity to recycle part of their fee income into bursary and fee waiver schemes, or use other income to support these schemes.
4. These schemes are usually open to students from any part of the UK (with lower amounts for Welsh students in some cases).
5. The table below compares a range of the most generous schemes for their total value for new starts in 2014-15. The selections here are all at or towards the upper range of schemes by value.
6. Payments may be wholly flexible, or restricted in some way between fee waivers (which reduce debt) and bursaries (which can be used either to reduce debt or increase spending power). Payments are not always uniform across years. For these reasons, the table below shows **a three year total in each case**.
7. The graph concentrates on student with incomes up to £30,000, although some schemes offer payments to students up to incomes of 35,000 or £42,000.
8. The scheme for the University of Oxford in particular remains sufficiently generous to enable Scottish students from the lowest income backgrounds to emerge with less debt than they would in Scotland, if they can save on a year's study.
9. More commonly, these schemes serve to reduce rather than remove the gap between the English and other systems. At their most generous, they will enable some low income students from England to leave university with debt levels not far out of line with those found in the devolved administrations, in particular compared to mature students in Scotland, where the degree-level gap in debt is around £22,000 at lower incomes.

Figure 23: Total value of higher-value institutional schemes over 3 years:



10.

Annex B

CHANGES ANNOUNCED TO UK STUDENT SUPPORT SYSTEMS FOR 2014-15

Table 2 summarises changes affecting student support from government in 2014-15. **Error! Reference source not found.** further explains the structure of each system.

Table 2: Changes affecting student support from government in 2014-15

Student domicile	Inputs				Outputs	
	<i>Fee levels</i>	<i>Fee support</i>	<i>Grants</i>	<i>Living cost loans</i>	<i>Spending power</i>	<i>Total debt</i>
<i>Scotland</i>	No change	No change	Thresholds and values frozen at 2013-14 rates	Increased by a flat rate of £250. +3.8%/4.5% (indep/young at low incomes) to 5.6% (higher incomes).	Increased by a flat rate of £250. + 3.4% (low incomes) to 5.6% (higher incomes).	Increased by a flat rate of £250. + 3.8/4.5% (indep/young low incomes) to 5.6% (higher incomes).
<i>England</i>	No change	No change	Thresholds frozen. +1% in value	+ 1%	+ 1%	+ between 0.2% and 0.4%
<i>Wales</i>	No change	Fee grant falls by £110; fee loan rises by £110 (3.1%) ⁶⁵	Thresholds and values frozen at 2013-14 rates	+ between 1% and 2.5% (highest increases at low incomes; and at highest incomes if living away)	+ between 0.5% and 1% for most (2.3% for highest incomes if living away)	+ between 1.9% and 2.9% (highest increase at low incomes; and at highest incomes if living away)
<i>Northern Ireland</i>	Increased by £110 (+3%)	Fee loan increased by £110 (+3%)	Thresholds and values frozen at 2013-14 rates	Thresholds and values frozen at 2013-14 rates	No change	+ between 1.3% and 2.0% (highest increase at low incomes; and those living at home)

⁶⁵ The fee grant remains portable across the UK, although the future of the element appears to be particularly under scrutiny in a review of student finance recently announced by the Welsh Assembly Government

Table 3: The structure of UK student support systems for 2014-15

Domicile	Fees	Fee loan/grant	Living cost support
Scotland	Not liable if study within Scotland Liable up to £9,000 maximum anywhere else in UK	Fee loan for full fee cost for students studying in rUK	Mixture of grant and loan
England	Liable up to £9,000 maximum anywhere in UK	Fee loan for full fee cost	Mixture of grant and loan
Wales	Liable up to £9,000 maximum anywhere in UK	Fee loan of £3685, non-repayable fee grant for any remaining fee costs, anywhere in UK	Mixture of grant and loan
Northern Ireland	£3685 maximum if study within NI Liable up to £9,000 maximum anywhere else in UK	Fee loan for full fee costs	Mixture of grant and loan

Note on student loan schemes: For 2014-15, the England/Wales threshold for repayment continues at £21,000, and the Scotland/NI threshold rises from its current £ 16,365 to £16,910.